



BUSINESS REGISTRATION REFORM IN VIET NAM:

A situation analysis of the reform and of
UNIDO support



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

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Comments

This report has been prepared for the MPI-UNIDO project “Technical Assistance to Business Registration Reform in Viet Nam” based on the work of the Competitiveness, Upgrading and Partnership Unit of the Business, Investment and Technology Branch of UNIDO. Comments and suggestions on issues raised in this report are welcome and may be addressed to Nilgün Tas at n.tas@unido.org.

Project Partners



General Department Taxation, Ministry of Finance



Agency for Business Registration



United Nations Industrial Development Organization



Ministry of Public Security



General Statistics Office



Viet Nam: some basic statistics ¹

Population (2009)	87.3 millions
*urban (2009)	29.6%
*rural (2009)	70.4%
Annual population growth rate (1999-2009)	1.2%
Labour force (2009)	46.6 millions
GDP growth, 2000 – 2009 (average annual %)	7.6
GDP distribution (2009):	
*agriculture value added (% of GDP)	20.9
*industry value-added (% of GDP)	40.2
*services value-added (% of GDP)	38.8
Exports of goods and services (2009, % of GDP)	68.3
Imports of goods and services (2009, % of GDP)	78.7
Poverty rate (% poor, national poverty line, 2009)	12%
Human Development Index ranking (2010) out of 169 countries	113
Internet users (% of population)	33
Annual growth rate of internet use	170

¹ World Bank and UNDP basic statistics (web, 2011); Viet Nam News 17/09/2011 (internet use)

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Acronyms and abbreviations

ABR	Agency for Business Registration
ADB	Asian Development Bank
ASMED	Agency for Small and Medium Enterprise Development
BRO	Business Registration Office
BR	Business Registration
BRR	Business Registration Reform
BDS	Business Development Services
CIEM	Central Institute of Economic Management
CPI	Provincial Competitiveness Index
CRF	Corporate Registers Forum
DPI	Department of Planning and Investment
EDA	Enterprise Development Agency
GDP	Gross Domestic Product
GDT	General Department of Tax
GSO	General Statistics Office
GTZ	German Technical Cooperation (now GIZ)
HCMC	Ho Chi Minh City
ICT	Information and Communication Technology
IFC	International Finance Corporation
IT	Information Technology
MPDF	Mekong Private Sector Development Facility (IFC)
MPI	Ministry of Planning and Investment
MPS	Ministry of Public Security
NBRS	National Business Registration System
NORAD	Norwegian Agency for Development Cooperation
NRD	Norway Registers Development
OSS	One-stop-shop
PAR	Public Administration Reform
PMRC	Prime Minister's Research Commission
RIA	Regulatory Impact Assessment
SECO	State Secretariat for Economic Affairs (Government of Switzerland)
SME	Small and Medium Enterprises
SOE	State Owned Enterprises
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
VCCI	Viet Nam Chamber of Commerce and Industry
VIR	Viet Nam Investment Review
VNCI	Viet Nam Competitiveness Initiative
WB	World Bank
WTO	World Trade Organization

Foreword

Since the last two decades, the Government of Viet Nam undertook remarkable efforts to reform its business environment. The country is among the world's fastest-growing economies and small and medium enterprises (SMEs) are considered key actors in Viet Nam's socio-economic development.

As one of Viet Nam's development partners, UNIDO has been working actively for already many years to support SME development initiatives undertaken by the country. UNIDO assistance covered various complementary and consecutive large-scale projects operating both at the central and provincial levels with funding from different donors.

Business registration reforms (BRR) are among the priorities of the Government of Viet Nam to further improve the country's business environment. Correspondingly, one of the areas of ongoing UNIDO assistance concerns support to improve the processes and procedures involved in starting a business in Viet Nam.

This publication constitutes a situation analysis of the BRR reforms in Viet Nam and UNIDO's assistance in this field. The report is aimed at

- ❖ enhancing the visibility, both domestically and abroad, of business registration reforms (BRR) undertaken in Viet Nam;
- ❖ putting these reforms and their results within the context of wider business environment reforms in Viet Nam and also positioning Viet Nam globally in this regard;
- ❖ summarizing and sharing the main achievements to date in the implementation of the UNIDO BRR support in order to foster exchange of experiences and learning.

The report is structured as follows:

Section I gives a brief overview of the rationale for BRR and also puts the theme in its context, as it constitutes an integral part of wider business environment reforms. This section also gives a general description of global experiences and good practice in this field.

Section II covers a synthesis of the reform path taken by Viet Nam and presents some facts and figures that show the trend and the current positioning of the country within the broader scope of BRR.

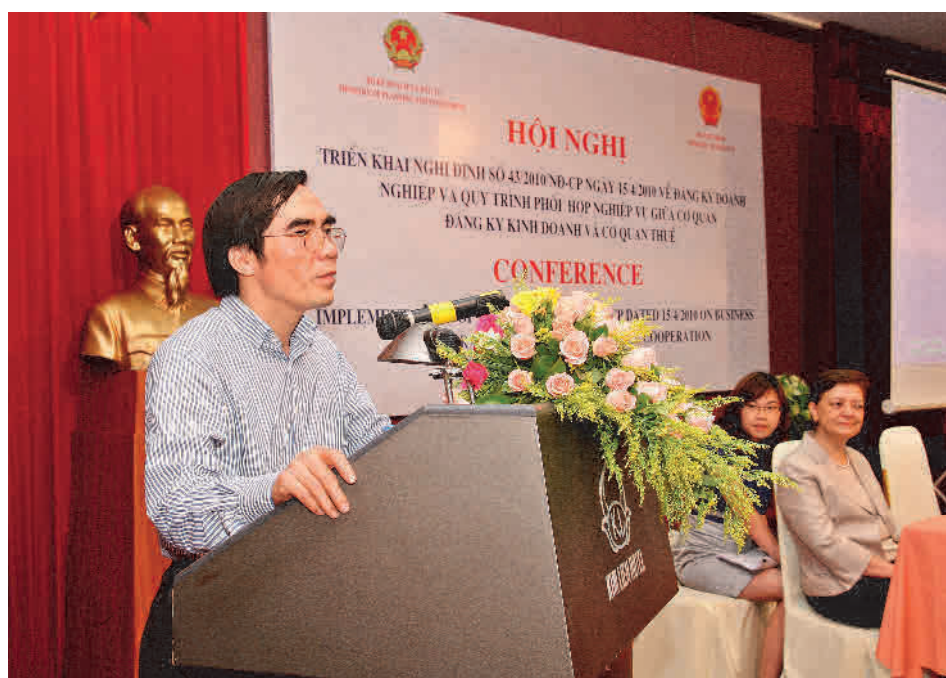
Section III starts with the background of the UNIDO support, followed by an overview of its intentions and related achievements thanks to sizeable donor support. This section also makes reference to relevant assistance of other development partners related to business environment reforms including business registration.

Section IV presents the steps ahead and also describes the main challenges faced in the ongoing support for the remainder of the project duration. In addition, the scope for widening exchange and learning in this field, based on the experience in Viet Nam, is discussed.

This report has been prepared by the MPI-UNIDO project "Technical Assistance to Business Registration Reform in Viet Nam" with the support of Leny van Oyen, consultant. The report is based on document review and discussions with the main stakeholders of the BRR project in Viet Nam, in particular the Ministry of Planning and Investment (MPI), the Agency for Business Registration (ABR), the Vietnam Chamber of Commerce and Industry (VCCI) and other direct project partner institutions, in addition to the UNIDO project team.

The drafters acknowledge with sincere thanks the valuable contribution of all individuals to the preparation of this report.

The preparation of this publication was made possible thanks to funding for such knowledge management activity by the donor of the currently ongoing second phase in the UNIDO BRR assistance, namely the Government of Switzerland through the Swiss State Secretariat for Economic Affairs (SECO).²



“Opening ceremony of Conference of Business Registration and Tax Officers from 63 provinces, Hanoi, 2010”

² Prior support to UNIDO’s BRR work in Viet Nam has received funding from Finland and Italy, Norway, the Viet Nam One UN Fund as well as UNIDO itself. For details on funding, reference is made to Chapter 7.

Executive summary

With funding from Norway, Switzerland, UNIDO's own resources and the One UN Fund, a UNIDO initiative has supported business registration reform in Viet Nam within the context of the country's initiatives for wider administrative reforms. Building on prior policy advice, UNIDO assistance covers a comprehensive support package to assist Viet Nam in making the registration of businesses less cumbersome, less costly and thus more efficient.

The initiative addresses obstacles faced by entrepreneurs in completing business, tax, statistics and seal registration requirements. It includes assistance to policy makers in the implementation of the Enterprise Law (2005) and in the preparation of subsequent policy decisions and legislation to simplify and standardize registration procedures and steps. Such reforms are not a simple stroke of the pen of the decision makers, and involve both legal and administrative changes that take time. Moreover, business registration reforms are an integral part of wider business environment reform.

To date one consolidated application form is used for business, tax, statistics and seal registration and a registered enterprise has a national unique ID that is the same as the tax code for that enterprise. Single-point registration services are performed across the country by 65 Business Registration Offices (BROs) spread over 63 Provinces and a computerized national business registration system (NBRS) ensures that the same level of service is delivered to enterprises, regardless of business location. As a result of inter-ministerial cooperation in designing and implementing the system - involving in particular the Ministry of Planning and Investment, the Ministry of Finance (General Department of Taxation), the Ministry of Public Security and the General Statistics Office - NBRS is operational in all 63 provinces of Viet Nam since December 31, 2010.

The system is in line with international best practice and has benefited from experiences elsewhere, in particular Norway's Brønnøysund Registers Center. The UNIDO support is currently in its second phase, covering the upgrading of the system with information dissemination facilities. The ultimate goal is for registration applications to be submitted online, using also e-signature and e-payment functionalities. Also, the NBRS not only covers a consolidated register of businesses in all 63 Provinces of the country, but also provides a database to which there will be nationwide access to legally valid information on businesses.

Consolidated business registration reform constitutes an important contribution to improved transparency in the business environment, reducing the transaction costs and risks in business activities, including the duplicate use of business names. Moreover, the web-based information services (under preparation through NBRS) will be open to enterprises, the authorities and the general public, enabling access to reliable and legally valid information about enterprises (i.e. potential partners or clients). NBRS can be considered a pioneer e-Government initiative that has the potential for future linkages to many other systems, such as social security, secured transactions, credit information. NBRS's features of transparency and public access contribute to the overall competitiveness of Viet Nam's business sector.

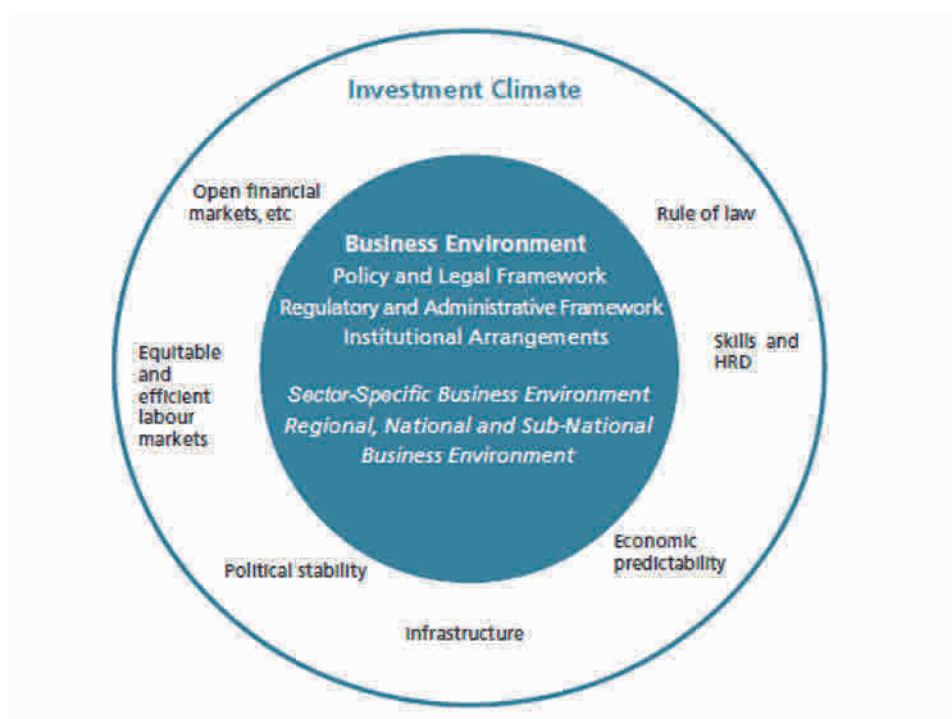
This paper places business registration reforms in Viet Nam within a wider context, both nationally and globally, presents BRR related facts and testimonials, and describes achievements of ongoing UNIDO support. The experience in Viet Nam is considered of relevance for other countries that have a keen interest in modernizing their business registration system as part of wider business environment reforms.

I CONTEXT

1. Business registration as part of wider business environment reforms

It is widely recognized that a favourable business environment is fundamental for enterprises to start, survive, and grow. Whereas entrepreneurs are evidently at the core of the business sector, multiple and interrelated conditions in the landscape surrounding the businesses affect enterprise creation and performance, covering policies, laws, regulations and institutional arrangements. Figure 1 below summarizes the main features of what is typically defined as the business environment, which is generally seen as a sub-set of a country's overall investment climate.

Figure 1
The business environment concept³



In principle the business environment is to support the growth and competitiveness of the private sector, but in many countries the landscape is complex, unpredictable or even hostile, making it costly, risky and unattractive for businesses to start, invest and innovate. This affects the development of the private sector and therefore economic growth, job creation and income generation.

Of the range of factors that have an effect on business operations, this paper focuses on one specific dimension of regulatory and administrative processes and procedures pertaining to enterprise creation, namely *business registration*.

³ Source: Donor Committee for Enterprise Development, 2008

Why business registration is important

Business registration is the step taken by its owner(s) to establish a business as a legal entity, following a standard procedure that all businesses must complete. It covers both the formal establishment of new enterprises as well as the formalization of amendments in existing enterprises, such as relocation of the business, changes in ownership structure and dissolution. The act of registration into the business registry means that the legally valid information is available on the business venture that is also publicly accessible through the registry.

It is considered an instrument for ensuring good corporate governance practices and standards that combine rights, obligations and opportunities for businesses. Both the private and public sector including the public at large benefit from business registration for a number of reasons:

Relevance for market entry (enterprise creation) and enterprise development

- Legally valid information on the business is required for basic business operations and is also important for contract enforcement; for example, bidding for contracts and trading across borders is difficult for enterprises that are not formally established;
- Registration implies the protection of the rights of workers (such as health insurance and pension benefits);
- Formal establishment is usually a precondition for accessing business support incentives;

Relevance for the business community

- Business registries are a source of information to find potential business partners
- They allow for verification of both historical and current information on businesses, thereby reducing the risks and costs of business partnerships;
- Financial and business service providers can use the registry to find potential clients;

Relevance for public sector at large

- Business registration provides the basis for tax collection and also broadens the tax base;
- Business registries are important for statistical purposes as they are a source of knowledge on the private sector and trends therein; they are therefore important for informed public policy decision making;
- Business registries also function as a pillar used by other fields, such as credit information systems, social security, land registries, secured transaction registries and the courts.

Why business registration reforms are needed

Business registration and the resulting business registries perform a crucial role in a market economy, provided they contain legally valid, reliable and up-to-date information on businesses and function in an efficient manner. Yet in many countries the business registration system is complex, cumbersome and costly, constituting in fact a barrier for enterprise development and growth rather than an incentive. This results in a larger informal sector and thus a lower tax base, a higher tax burden on

established enterprises, weaknesses in social security protection, lack of transparency of interactions between businesses and government and increased likelihood of corruption.



“Filing system before NBRS – looking for an enterprise file in the right pile”

It was in particular the *Doing Business* initiative that was launched in 2004 by the World Bank and the International Finance Corporation that popularized attention to the obstacles faced by entrepreneurs in starting and operating a business by comparing these across countries, resulting in the annual *Doing Business* reports. The measurement covers *inter alia* regulations governing enterprise creation, with emphasis on time and cost as indicators of the ease of market entry and formalization.

Djankov and others (2006) examined the relationship between business regulations and economic growth. Using the *Doing Business* database on business regulations, they ranked 135 countries and compared the aggregated Business Regulation Index with data on the average annual growth in GDP per capita. Their findings confirmed that, indeed, there is a consistent and positive correlation: countries with less burdensome business regulations tend to grow faster. Earlier research by Djankov and others (2002) focused on the subject of regulation of entry of start-up firms. Analysis of entry regulations in 85 countries did not result in finding that “stricter regulation of entry is associated with higher quality products, better pollution records....., or keener competition. But strictness of entry *is* associated with sharply higher levels of corruption, and a greater relative size of the unofficial economy” (Djankov et al., 2002, p. 4).

It is recognized that, notwithstanding discussions on the underlying methodology, the *Doing Business* reports have become a beacon for many governments. The ranking of their countries with respect to their business environment is among the stimuli to want to improve their relative positioning, affecting also access to donor funding and the image of the country as an attractive investment destination. Accordingly, business environment reforms have become a priority for both recipient countries and donors. As business registration performance is one of the indicators to measure the quality of the business environment, efforts aimed at making business registration systems less complex and more efficient are expected to bring about substantial gains for economic development.⁴ Research shows that since the inclusion of business entry indicators in the *Doing Business* surveys, reform in this field has accelerated, recording 193 reforms in 116 countries over the period 2003-08 (Djankov, 2009).

⁴ For further reading reference is made to the following publication: *Reforming business registration regulatory procedures at the national level – a reform toolkit for project teams*, Small and Medium Enterprise Department, World Bank Group, 2006

2. Building blocks of business registration reforms

As an integral part of regulatory reforms to improve the business environment, business registration reforms (BRR) are typically built on two core pillars:

- **Simplifying procedures and processes**, resulting in less time and lower cost for the entrepreneurs to register a business entity or to process amendments in the registry;
- **Putting in place a harmonized business registry**: a reliable, legally valid and easily accessible system that is the same for all enterprises throughout the country and benefits from the effective use of information technology (IT).

To bring about the desired regulatory reforms, both legal and administrative actions are needed, as depicted in Table 1 below. Manh, Tuan and Tas (2006) define these complementary reform interventions as follows:

Legal reforms: interventions that aim to improve the legal framework governing the field of action, covering changes in laws and the implementing regulations including in lower level legal documents such as decrees, circulars and decisions, issued by the competent regulatory authorities;

Administrative reforms: actions taken for translating the legal framework into effective services for relevant stakeholders, covering in the case of business registration reforms two dimensions, namely improvements in the (a) institutional and (b) organizational capabilities for the system to function effectively and efficiently.

Such reforms require a set of baseline conditions, including:

- ❖ a shared vision that such reforms are needed;
- ❖ the pro-active attitude of top leadership (“political capital”);
- ❖ a high-level task force to prepare, guide, and monitor the reform process;
- ❖ the active involvement of both public and private sector stakeholders;
- ❖ a solid understanding of the complexity of such reforms, including of the need for sequencing to bring about the intended changes, both in terms of adoption of regulations and their implementation on the ground.

Table 1
BRR building blocks

BRR			
Reform fields	legal	institutional	organizational
	changes in the legal framework	changes in institutional mandates and inter-institutional linkages	changes in organizational capabilities
	<i>laws, decrees, circulars, etc. pertaining to BR</i>	<i>institutional responsibilities as regards BR and specification of institutional interactions (horizontally and vertically) to ensure effective inter-institutional linkages</i>	<i>human, technological, financial and other physical resources combined with internal management processes and procedures to ensure effective functioning of the institutions involved in BR</i>

3. Global experiences and good practice

Business environment reforms are country-specific. While recognizing that there is no one-size-fits-all recipe, experiences and lessons learned in other countries (both developed and developing countries) can inspire the reform process in countries engaged in business environment reforms.

With respect to business registration, approaches vary across countries, yet it is done primarily by government departments or agencies. In varying degrees business registration is combined with other business support services. Many countries have created One-stop-shops (OSS) across the country, combining different procedures in a location dedicated to business registration. Experience in this respect has been mixed, in that OSS's sometimes became a “one-more-stop”, with insufficient streamlining of procedures across entities involved in the business registration process (World Bank, 2006).

As a result of information technology (IT) developments, there is a tendency to move away from paper-based systems to automated systems, including online registration through a Web portal and also adopting electronic signature and electronic payment options. IT stimulates not only the speed of registration but also contributes to the standardization of the process through computerized workflows at registration offices across the country. Standardization is possible and has become the norm because the procedures and processes of business registration should be applied in the same manner to all those setting up enterprises, as long as the rules/regulations of the country are followed. By nature, how the act of registration is undertaken should not differ from locality to locality within a country or even according to the characteristics of enterprise owners. As such, business registration can be likened to the notifications in cases of birth/death of physical persons and standard, nationwide approaches offering nationally standardized registration services are considered good practice.

Over the past decade, many countries have simplified their business registration process and procedures. In high-income economies registration remains fastest and cheapest, but many developing and emerging countries are making major jumps in terms of easing business creation. The top 10

countries with the easiest business registration process is led by New Zealand and Australia, and includes Singapore and Hong Kong. There is one African country in the top 10 ranking of ease in starting a business, namely Rwanda. The *Doing Business 2011* report notes that *since 2004 policy makers in more than 75% of the world's economies have made it easier for entrepreneurs to start a business in the formal sector*. Economies in Eastern Europe and Central Asia were reported to lead in terms of reforms to ease start-ups. The 10 countries that were reported to improve the most in starting a business include also 4 countries in sub-Saharan Africa.

Still, there are major gaps. In comparison to OECD countries' averages, it takes 4 times as long on average to register in Latin America and the Caribbean and it costs 18 times as much (relative to income per capita) in sub-Saharan Africa. Many of the countries with most procedures and longest time needed to register are low-income economies, most of them in sub-Saharan Africa. Moreover, whereas many countries abolished the need for paid-in minimum capital, those having this requirement are primarily in sub-Saharan Africa.

Business registration reforms may seem simple but are not necessarily so. The ingredients for making it happen, summarized in Box 1, are not always in place.

Box 1 **Obstacles to an efficient business registration system**

- ❖ Lack of awareness of the effects of cumbersome and costly registration procedures on the economy;
- ❖ Weak buy-in of the relevant stakeholders to reform the registration system, as this may affect vested interests;
- ❖ Emphasis on appraisal or control of business operations rather than registration;
- ❖ Weak collaboration among the different institutions involved in the process to bring about systemic change, both at the national level and between the national and the provincial levels;
- ❖ Difficulty to accept the need for genuine streamlining of processes and procedures, which often implies their abolishing or re-engineering;
- ❖ Weak quality of IT infrastructure needed for a countrywide computerized registration system;
- ❖ Lack of broader business environment reforms, of which business registration reform is only one part.

An efficient registration system is found to offer in particular the following:

- ❖ **Single interface:** consolidating procedures into a single point registration for business, tax and other permits, using one common form;
- ❖ A **unique enterprise ID** recognized by the different institutions involved;
- ❖ A **national computerized business registry** offering the same standardized service country-wide;
- ❖ **E-based registration** to further reduce time involved in the process of registration or of formalization of amendments;
- ❖ **E-based information services** for other businesses, the authorities or the general public to use the legally valid enterprise data compiled in the business registry.

In brief, BRR is not only an important factor in enterprise creation/market entry, but has other equally important functions, such as the national registry serving as a source of information services which facilitates access of businesses to information on their potential partners or clients. Moreover, the registry is a foundation on which other systems typically rely and build, e.g., credit information, social security etc.



“ABR call center at work”⁵

⁵ ABR call center responded to BRO enquiries with approximately 40 e-mails and 30 phone calls per day over 153 workdays in 2010 and 33 e-mails and 25 phone calls per day over 228 workdays in 2011.

II

THE BUSINESS REGISTRATION REFORM PATH IN VIET NAM

4. Milestones in business environment reforms: historical perspective

Policy shift

Up to 1986, Viet Nam had a centrally planned economy, guided by policies and measures that restricted private ownership. The economy was closed and based on state-driven directives and government subsidies. There were essentially two types of enterprises, namely State-owned enterprises (SOEs) and cooperatives and the number and scale of private businesses was very small. To address the economic crisis in which the country found itself in the course of the 1980s and starting in 1986, the Communist Party and the Government of Viet Nam engaged in comprehensive economic reforms known as *Doi Moi* (“renovation”), implying a shift to a market economy with a socialist orientation.

Legal trajectory

This policy shift was followed by the enactment of a wide range of laws and other legal steps to translate the policy intentions into actions aimed at creating a level playing field for all types of enterprises. The Government formally defined SMEs and called for the Ministry of Planning and Investment (MPI) in cooperation with other agencies, sectors and localities to draw up draft strategies for SME development. Among the multiple pieces of legislation, the following are cited here: Company Law and the Law on Private Enterprises (1991), Law on Domestic Investment Promotion (1994), Amended Company Law (1994), and Amended Law on Private Enterprise (1994).⁶

A next major round of reforms pertaining to the business environment was launched in 1999 when the Government promulgated the Enterprise Law, which consolidated and streamlined various business regulations. This resulted in important changes in the landscape for private sector development in Viet Nam. As regards the specific field of business registration, the following are highlighted:

- emphasis put on notification rather than request for permission to create a business;
- removal of minimum legal capital requirements with some exceptions;
- creation of Provincial Business Registration Offices (BROs) mandated to register enterprises at the provincial level;
- creation of the Business Registration Division within the MPI at the central level, mandated to undertake national level regulatory tasks and to support BROs;
- setting a statutory time limit to complete business registration (initially 15, then 10 and now 5 days upon the submission of a valid application dossier);
- simplification of procedures.

⁶ Le Dang Doanh et al., UNIDO/CIEM, 1999

There are ensuing laws, directives and decisions pertaining to the reform of business registration in Viet Nam, among which the following are highlighted in Box 2 (in chronological order). A synthesis of the main milestones on the reform trajectory since 1986 to date is presented in Figure 3. A comparison of BRR in 10 countries including Viet Nam (World Bank/IFC, 2009) found the process of consensus building on reforms and drafting of legal documents to be long in Viet Nam. This is not surprising, as Viet Nam is a transition economy in which the introduction of market approaches is (i) relatively recent and (ii) follow a step-by-step implementation mode.

Box 2

Main policy decisions and legal steps on business registration after the 1999 Enterprise Law

- ❖ Prime Minister Directive 27/2003/CT-TTg (December 2003) including an instruction to the Ministries Planning and Investment, Finance and Public Security to assess and simplify the business registration process and procedures and strengthen coordination among these Ministries in this respect;
- ❖ The Enterprise Law of 2005 unifying the treatment of businesses in the prior Law on Enterprise and Law on Investment (giving the same legal framework for domestic and foreign enterprises) and further specifying the legal framework pertaining to business registration and registry operations;
- ❖ Government Office Letter 1842/2006/VPCP-CCHC (April 2006) directing the relevant Ministries (MPI, Finance and Public Security) to streamline the business, tax and seal engraving processes at the national level and to apply the new process in all 63 Provinces;
- ❖ Government Decree 88/2006/ND-CP (August 2006) on Business Registration, defining inter alia the tasks of business registries and responsibilities of MPI as regards state management of business registration;
- ❖ Prime Minister Decision 236/2006/QĐ-TTg (October 2006) covering the approval of the 5 Year SME Development Plan 2006-2010 and including a PM instruction to relevant Ministries to: *formulate the project for establishing the new National Business Registration System; to use a single registration number for business registration, statistics, tax and customs; to boost the computerization of business registration; to review and assess all dossiers, procedures, processes related to business registration, seal engraving and tax code registration with a view to establishing a one-stop-shop mechanism – single point registration – applicable in all provinces by 2008;*
- ❖ Inter-ministerial circular 02/2007/TTLT-BKH-BTC-BCA (February 2007) guiding the coordination mechanisms among the relevant Ministries/Agencies and instituting interim measures for streamlining of business registration pending the completion of a consolidated registration system;
- ❖ Government Resolution 59/2007 (November 2007) directing the MPI to further develop the legal framework and administrative procedures aimed at: *abolishing the granting of the seal-carving permit; business - and tax code registration effectuated within 5 days; unification of the business – and tax registration files; assignment of the tax code as the unique ID of enterprises; establishing a national business register database accessible for the BROs;*
- ❖ Government Resolution 02/2008 pertaining to the socio-economic development plan and corresponding State budget estimation, covering emphasis on the improvement of the investment and business environment and referring to the abolishment of inappropriate permits and regulations on production and business activities, and reform of business registration procedures involving the combination of the business registration code and the tax code into one enterprise code in the business registration certificate;
- ❖ National Administrative Procedures Reform Project (“Project 30”) launched end 2008, aiming at removing 30% of administrative procedures in a 26 months period;
- ❖ Government Decree 43/2010/ND-CP (April 2010) on Business Registration, defining and specifying the system and procedures pertaining to the registration of businesses and amendments in business registration;
- ❖ MPI circular 14/2010/TT-BKH (June 2010) guiding the process of business registration as per Government Decree 43/2010;
- ❖ Government Decree 102/2010/ND-CP (October 2010) on the implementation of the 2005 Enterprise Law;
- ❖ Prime Minister Decision 1659/QĐ-TTg (September 2010) covering decision of establishment of the Agency for Business Registration (ABR) under the MPI.

Institutional route

Based on the 1991 Private Enterprise and Company Laws, Business Registration Offices (BROs) were created in each of the Provinces under the provincial Departments of Planning and Investment (DPI). They were tasked with registration of a business and informed subsequently the relevant line agencies of its establishment for inspections related to health, standards, labour, environment etc. At the central level a Business Registration Division (BRD) was created under the Ministry of Planning and Investment (MPI) with a view to providing support and guidance to the BROs (Le Quang Manh et al., 2006).

After the creation of the Agency for Small and Medium Enterprise Development (ASMED), BRD became part of ASMED (the successor structure for the current Enterprise Development Agency, EDA) under the MPI. Finally, also illustrating the importance attached to BRR, BRD became itself a separate agency under the MPI as per Prime Minister Decision in September 2010, called Agency for Business Registration (ABR).

At present there are 65 BROs across the country (one in each of the 63 Provinces and including 3 BROs in Hanoi) guided by ABR as central agency based in Hanoi.



“Provincial Business Registration Officers and Provincial Tax Officers discuss institutional cooperation”

Significant changes have taken place in the vision of the country’s leaders on the economy and this reform thinking is illustrated by self-explanatory statements made by Viet Nam’s Prime Minister at important occasions (of which some quotes are reflected in Box 3 below). The reforms undertaken so far pertaining to the business environment find their roots in this general orientation of the country’s leadership.

Box 3

Some statements by the Prime Minister of Viet Nam pertaining to business environment reforms

Quotes from speeches made by Mr. Nguyễn Tấn Dũng – Politburo Member, Prime Minister:

“We shall continue to improve the business and investment environment to further attract investment sources, boost production and business, increase exports and widen the domestic market. We need to have appropriate support policies to stimulate mid- and long term economic development, restructuring the economy and transforming the growth model towards higher quality, efficiency and competitiveness of products, enterprises and the economy as a whole to ensure rapid and sustainable development” (opening remarks at the Consultative Group meeting on 3 December 2009)

“Innovation in economic thoughts allowed paved the way for us to abolish the centralized economic planning mechanism, subsidized and monopolized business of State-owned enterprises and co-operatives and shift to a market economy-based mechanism which saw the participation of businesses of different economic sectors and various ownership types. Accordingly, the national economy has developed lively with high growth rates achieved and the people’s life gradually improved” (at the 11th National Party Congress, January 2011)

“We need to focus on realizing drastically and effectively the tasks of curbing inflation, stabilizing macro-economy, removing barriers against production and business, ensuring social welfare, particularly for the poor, low-income groups, and improving people’s livelihood” (at the National Assembly Inauguration Ceremony on 3 August 2011)

Business environment reforms are a continuous process and gaps, contradictions or lack of precision in the laws and other legal documents governing implementation are currently being discussed and prepared. Accordingly, the near future is likely to see the promulgation of a new Enterprise Law or its amendment, new Decrees and correspondingly new Circulars that guide the formal process of starting and operating a business in Viet Nam. This is not seen as a sign of regulatory instability but rather as an effort to further iron out weaknesses in the existing legal rules and procedures and administrative processes surrounding business creation and operation, all aimed at making and sustaining Viet Nam as a vibrant and internationally competitive economy.

UNIDO played, among others, an active role in supporting the Government of Viet Nam in the above BRR process, the details of which are described in Chapter 5. But before moving to the external support side, it is appropriate to highlight the concrete results of the business registration reforms undertaken so far and how Viet Nam is positioned, when looking at Viet Nam’s business environment including BRR related progress from a wider perspective.

5. Positioning of Viet Nam: some BRR facts and figures

The impact of the 1999 Enterprise Law - a major milestone at the start of the reform process – was notable. According to research jointly undertaken by the Prime Minister's Research Commission (PMRC), the ADB, and GTZ (2006), by the end of 2005 some 170,000 enterprises had registered, which is impressive compared to about 39,000 registered between 1990 and 1999. In the first 6 years after the promulgation of the Enterprise Law, registered capital of new firms de facto exceeded foreign direct investment (FDI) in the same period.

Although impressive, the journey from business idea to reality was still long and costly, and different reports mentioned the persistence of burdensome administrative procedures (CIEM-GTZ, 2005; WB, 2005). Accordingly, the country's ranking in terms of competitiveness was not encouraging: in 2005 Viet Nam ranked 81 out of 117 countries on the World Economic Forum's Global Competitiveness Index (WEF, 2005) – with worse ranking than the year before. Also the rankings regarding the business environment and the capacity of government bodies to take action were low (respectively 80 and 92 out of 117). Findings of a study on business start-ups conducted by IFC's Mekong Private Sector Development Facility (2005) highlighted weaknesses in the databases for business registration, complexities and unnecessary costs in the business registration process and a multitude of post-registration barriers such as access to land and capital. Similarly, a survey of over 6300 enterprises conducted in 2005 in view of the establishment of the Provincial Competitiveness Index (CPI) found that it takes between 11 and 58 days to complete business registration (with a median time of some 21 days). This was well beyond the statutory time limit of 10 days upon submission of a complete application dossier. In 2006, *Doing Business* ranked Viet Nam as 97th out of a total of 175 countries in terms of ease of starting a business.

The reform measures taken since 2005 explain why Viet Nam's rankings have gradually improved thereafter. Compared to 2004, Viet Nam has reduced the number of procedures and the time involved in registration. *Doing Business* (2011) recorded a reduction in the number of procedures, in the time it takes to start a business and in its cost. Compared to the country's overall 97th ranking in terms of ease of doing business in 2006, Viet Nam now occupies the 78th place out of 183 economies in 2011 (no less than 10 places up compared to 2010). Regarding the ranking to start a business, the country is ranking 100th (2011), which is an increase by 14 places compared to 2010. In terms of its relative positioning in 2011 (78th), the country is well behind Malaysia, Thailand and Singapore (which are ranked respectively 21st, 19th and 1st), yet well before Indonesia, the Philippines and Lao PDR (which are respectively ranked 121st, 148th and 171st out of 183). When looking at a subtotal of 24 countries in Asia, Viet Nam ranks right in the middle with its 11th position in terms of the ease of doing business and its 12th position regarding starting a business. It is cited as one of the 10 countries that have made most progress in improving the business environment. According to a comparison focused on global competitiveness by the World Economic Forum (2010), Viet Nam's 2010/11 ranking improved sizeably (up 16 positions) to 59 out of 139 countries compared to its 2009/10 ranking).

Also other analyses of trends in Viet Nam's business environment, including business registration, should be mentioned, in particular the home grown reviews conducted by the main private sector organization in Viet Nam, namely the Viet Nam Chamber of Commerce and Industry (VCCI). In its 2010 Annual Report, VCCI commends the business registration reforms undertaken by the State authorities, which have resulted in reducing the business registration process to maximum 5 days. Table 2 illustrates the trend in the time needed to register over the past two decades.

Table 2
Average time for formal business establishment

<i>Average time to establish a business</i>	<i>1991-1999</i>	<i>2000-2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009 to date</i>
	6-12 months	50 days	22 days	15 days	5-10 days	5 days

Source: MPI/Enterprise Development Agency data

Over the period 2005-2010, the number of enterprises created annually has increased steadily each year (from about 40,000 in 2005 to almost 90,000 in 2010). The Government's objective of 500,000 enterprises created by 2010 under the Enterprise Law was even exceeded, in that by the end of 2010 the total number of registered businesses, branches, representative offices and business locations was 544,394. Also total registered capital increased gradually, with an average of VND 6 billion per company, which VCCI highlights as "an important factor which will contribute to business development and job creation" (VCCI, 2011, p.27). Ho Chi Minh City (HCMC) alone has experienced a major increase of dossiers for new business registration from 5,407 in 2000 to 25,010 in 2010, in other words almost 5 times more new registrations per year (BRO-HCMC, 2010).

According to the latest Provincial Competitiveness Index (PCI) - developed with VCCI through the USAID funded Viet Nam Competitiveness Initiative (VNCI) -, the most significant positive changes compared to previous PCI's were found in the area of market entry by businesses. This index is based on a perceptions survey of private domestic firms across all 63 provinces of the country, measuring firm perception and satisfaction on doing business at the provincial level. Average registration periods were reported to have been cut in half between 2006 and 2009. Still, there is room for improvement, as no further improvements were recorded since 2009. Despite the 5 working days limit, "firms have to visit the registration office many times for the five working days to be counted, in the cases where the local government does not produce clear process guidance or uses procedures to extract rents".⁷ Not surprisingly, there are differences across the 63 Provinces, with 3 Provinces obtaining the ranking 'excellent', 19 are assessed as 'high', 30 as 'mid-high', and the remaining 11 Provinces as 'average' or 'mid-low'. The two largest cities, Hanoi and HCMC, are positioned in the mid-high ranking.

The comparison of BRR in 10 countries (WB, 2009) indicates similarity in the reforms, with some reforms going beyond registration or taking longer than others. As illustrated in Table 3, Viet Nam scored high in terms of reduction in time and cost of registration. The main difference mentioned between the case of Viet Nam in comparison with other 9 countries was the absence of the use of IT solutions.

Table 3
Comparison of BRR in 10 countries

	<i>Bulgaria</i>	<i>France</i>	<i>Indonesia</i>	<i>Jordan</i>	<i>Mexico</i>	<i>Serbia</i>	<i>Tanzania</i>	<i>Turkey</i>	<i>Ukraine</i>	<i>Viet Nam</i>
Scope of reform⁸	Y	N	N	Y	Y	N	N	Y	Y	Y
Duration of reform (years)	4	3	2	6	6	5	5	5	3	8
Registry institutions⁹	N	E	E	N	N	N	E	N	N	E
Use of IT solutions	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
% Results of reform¹⁰	0	-89	+0.3	-78	-95	-82	0	-83	-41	-90

⁷ Source: PCI Survey conducted by USAID/VCCI in May/June 2010. Findings thus cover the period prior/up to mid-2010.

⁸ Y=reform broadened beyond business registration to include related licences and formalities

⁹ E= improved existing institutions; N=created new registries

¹⁰ Average of % reduction in time and cost of registration; 0 = still being implemented

Nonetheless, it is to be noted that the idea of a computerized nationwide system – seen as a gap in that comparison– was indeed part of the solution design that is currently under implementation. UNIDO’s contribution to the preparation and the current implementation of the nationwide computerized system is described in Section III.

In brief, the 1999 Enterprise Law generated a boom in terms of business creation and it is widely recognized that subsequent reforms significantly changed the regulatory framework for business start-up. However, as stated by Mr. Nguyen Xuan Phuc, Minister and Chairman of the Government Office: *“... it is not important how many procedures we change but how such changes are translated into reality. We must take the satisfaction of the people and enterprises as the gauge for administrative procedure reform”* (Viet Nam Business Forum, VCCI News, August 2011).

Therefore, complementing the trend in the major rankings cited above, the following testimonial illustrates the same from the perspective of an entrepreneur: *“This is a big step of registration reform, which has made it convenient and cost saving for businesses when spending just maximum 5 days to fulfil all registration procedures and get a business identification code”* said Pham Thanh Hai, Technical Director, OrientSoft Company, Hanoi. *“I wish it had taken me 5 days only instead of several weeks when I registered my business some years ago”* (WB, 2011).

Once additional modules are operational, in particular e-registration and access to enterprise information using the NBRIS data, surveys will be undertaken to assess the perception of the users of the expanded NBRIS.



“Provincial BRO staff at NBRIS training conducted by ABR staff”

III

UNIDO ASSISTANCE TO BUSINESS REGISTRATION REFORM IN VIET NAM

6. Initial stages

The WB Group (2009) identified five subsequent phases of reform: (1) idea formulation and reform organization, (2) solution design, (3) broadening and marketing of reform ideas, (4) political acceptance and adoption, and (5) implementation. UNIDO has de facto played a role in all stages, from initial advocacy and awareness building up to the current implementation phase.

The roots of UNIDO's BRR support go back to UNIDO/MPI project "Assistance to Industrial SMEs in Viet Nam" (1996-2000). Funded by a German contribution to UNIDO's Industrial Development Fund, this project came timely. It coincided with SMEs getting a more prominent place on the agenda of Viet Nam's decision makers and played a catalytic role in the dialogue on SME that resulted in a roadmap for policy actions. The project also 'put a grain' in the field of capacity and market development of business development services (BDS).

Research launched by the project in 1998 in collaboration with the Central Institute of Economic Management (CIEM) resulted in an in-depth inventory of policies, procedures and their implementation and recommendations, discussed and validated in stakeholder workshops (Le Dang Doanh et al., 1999). This research work significantly influenced policy decisions, such as the 2000 Government Decree on SME Promotion Policy and Structures in Viet Nam (Tas et al., 2000). The 1999 study highlighted the obstacles and delays in company registration and recommended further improvement to reduce administrative burdens in this respect, including the need for specialized business registration offices, and a centralized and computerized enterprise register at the national level through which the public at large could obtain in a fast and easy manner registered information about any enterprise in the country. This advice guided the BRR path that followed.

Several other activities supported and sponsored by this project resulted in key decisions that shaped the SME support landscape in Viet Nam, such as the establishment of the SME Development Council (an advisory body of the Prime Minister as regards SME development) and the Agency for SME Development (ASMED, later renamed Enterprise Development Agency, EDA) as per Government Decree No. 90 in 2001.

The successor project "Assistance to establish the national and provincial SME support infrastructure" funded by Finland and Italy (2004-2009) continued SME policy advice, inter alia in the field of business registration. Some highlights regarding inputs delivered and results achieved pertaining to the preparation of BRR with the support of this project are listed below:

- a comprehensive concept paper on business registration issues (ASMED-UNIDO, 2004);
- the formulation of an initial cooperation framework for sharing enterprise data between ASMED, the Ministry of Finance and the General Statistics Office and launching of discussions between parties;
- series of stakeholder consultations;

- advice in the drafting of legal documents pertaining to BRR (implementing decrees and circulars);
- the organization of study tours in order for policy makers to learn from business registration systems abroad (including Norway). It is based on observations and discussions in Norway, in particular at the Brønnøysund Registers Centre and visits to Statistics Norway and the Norwegian Directorate for Taxes that the Vietnamese policy makers decided to follow the “Norwegian model” considered most appropriate for adjustment to suit Viet Nam’s context.¹¹

The main step forward was the incorporation of BRR as integral part of the SME Development Plan 2006-2010, prepared with the support of this UNIDO project within the wider scope of the country’s 5-year Socio-Economic Development Plan 2006-2010. The SME Development Plan covered in particular the following actions: a vertically integrated system of business registration; a single ID for businesses; a phased shift to on-line registration nationwide; simplified, standardized and computerized processes for business through a one-stop-shop mechanism; institutionalized information sharing between relevant agencies.

It was within the context of this same project that preparatory assistance for the implementation of the planned BRR was formulated for which funding was secured from Norway (NORAD). The preparatory phase stage started in July 2006 and included a wide range of activities: support to the completion of legal documents outlining responsibilities of the relevant institutions and the inter-ministerial agreements needed, including interim measures to speed up the harmonization and combination of procedures within the existing legal framework. The main outcome of that phase was a draft programme proposal defining the main building blocks of the main phase.

An independent appraisal mission was fielded in October – November 2007 to assess the technical feasibility, institutional and financial viability and economic soundness of the programme proposal prepared by the project team in a participatory manner, i.e., with contributions from representatives from different key stakeholders (Mallon et al., 2007). The mission confirmed the need and demand for the establishment of the NBRS and made recommendations for the completion of the design and implementation strategy.

7. Support to BRR implementation

Purpose and planning

The overall aim of the UNIDO assistance in BRR implementation (stage 5 according to the WB classification) was straightforward: to contribute to improving the business environment for enterprise start-up and operations through the creation of a nationwide single-point registration for business tax, statistics and seal engraving permits (in short: the National Business Registration System, NBRS).

Given the complexity of putting in place a nationwide system and also to facilitate the mobilization of funding, the programme objectives and related activities and inputs were broken down into phases, schematized in Figure 2 below. Essentially, the programme structure covers three logical steps:

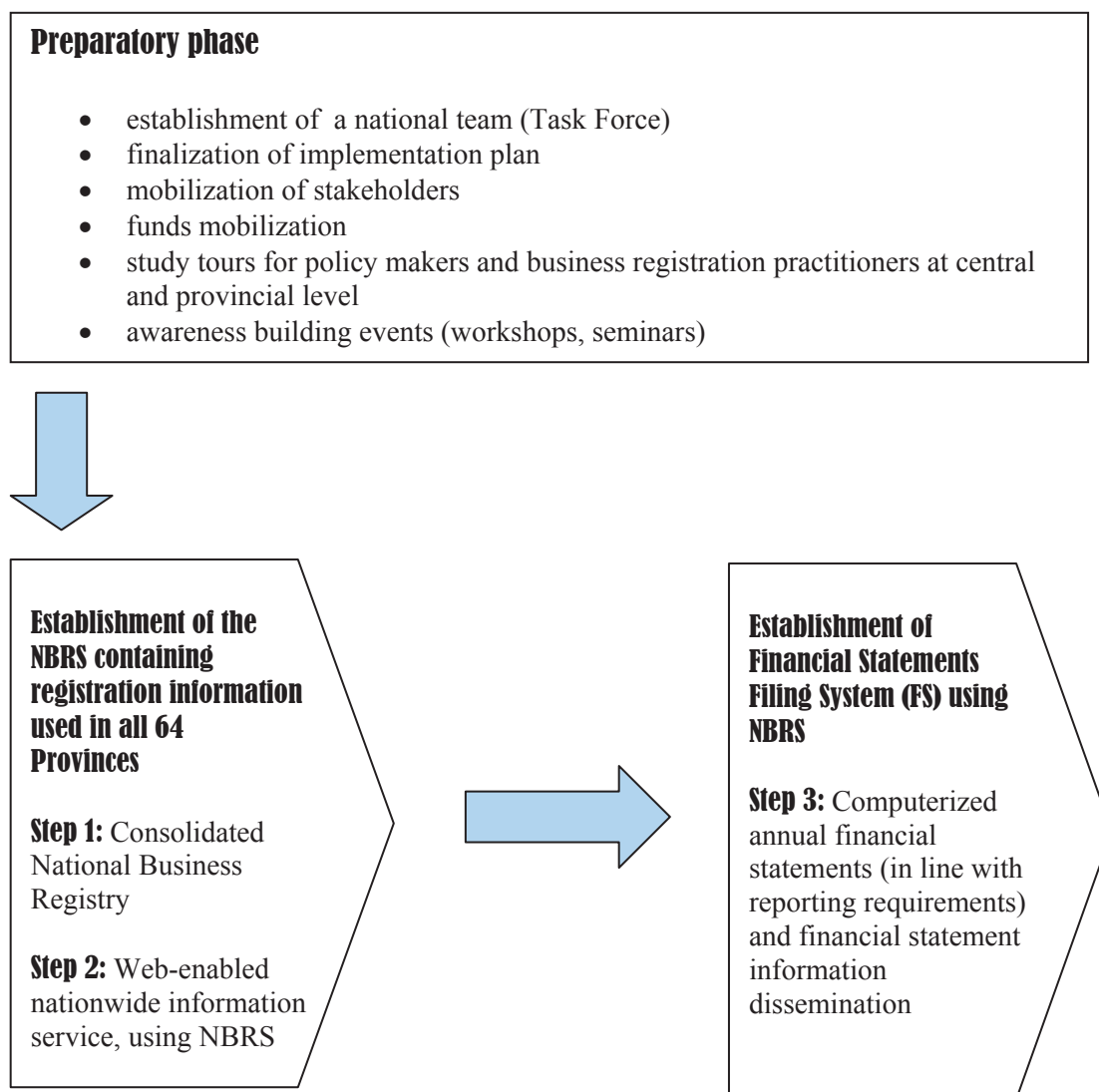
Step 1: establishment of the system (including the simplification of the corresponding legal framework, the required hardware, software, testing and rolling out, training and capacity building at national and provincial levels), resulting in a national, fully computerized and consolidated business registration, operating in all Provinces based on single point registration for business, tax and statistics;

¹¹ It is to be noted that the Brønnøysund Registers Centre has a long-standing experience in international cooperation

Step 2: development of nationwide web-enabled access to information on registered enterprises, using NBRS data;

Step 3: establishment of a computerized system for annual filing of financial statements of shareholding companies and for financial statement information dissemination, using NBRS.

Figure 2
Implementation plan and phasing



Funding and management

UNIDO support to the actual implementation of Viet Nam's BRR was made possible thanks to sizeable funding from different donors, in addition to in-kind inputs made available by the Government of Viet Nam. In total, about 14 million USD has been mobilized so far for the BRR. As regards external resources, first, based on the 2007 appraisal mission and after reflection of its recommendations in the programme proposal by UNIDO, the same donor, NORAD, engaged to pursue its support to the BRR, covering funding for the first step, i.e., the establishment of NBRS. NORAD's funding was based on cost-sharing with UNIDO and the project document was signed on 7 August 2008. Moreover, as the support contributed to the achievements of the One UN Plan in Viet Nam, UNIDO secured additional funding from the Viet Nam One UN Fund. In addition, in October

2010, the Government of Switzerland engaged (through SECO) to fund both step 2 (Module II of Phase A), as well as step 3 (Phase B). The ongoing NORAD funded project is ending in December 2011 and the SECO funded project is expected to end in April 2013.

The resources cover in particular

- Day-to-day project management support: the National Project Director (who is also the Director General of the ABR) is supported by an international chief technical advisor, technical and legal experts and administrative staff (all Vietnamese nationals), working in a synergetic manner with staff of ABR;
- International and Vietnamese IT expertise to design, test and put in place a customized NBRS; based on competitive bidding, a Norwegian firm - associated with a Vietnamese firm – is in charge of the IT dimension;
- Day-to-day support for the internal users of the NBRS on registration system usage, including remote IT support;
- Hardware and software applications that constitute the IT infrastructure both at central and provincial levels for the enterprise registration system, in particular for on-line business registration, on-line information services, e-payment, e-signature and financial statements filing;
- Multiple awareness building activities across the country (workshops; seminars), as well as use of media to publish NBRS related information (dedicated website); and production of promotional material (films, brochures) to support awareness campaign;
- Consultations with key stakeholders on draft legal documents (decrees and circulars) specifying the implementation of BRR related legislation, providing legal advice based on international best practice;
- Preparation of practical materials, such as NBRS user manual, training materials, promotional literature;
- Training of trainers and training of users of the system across the country.

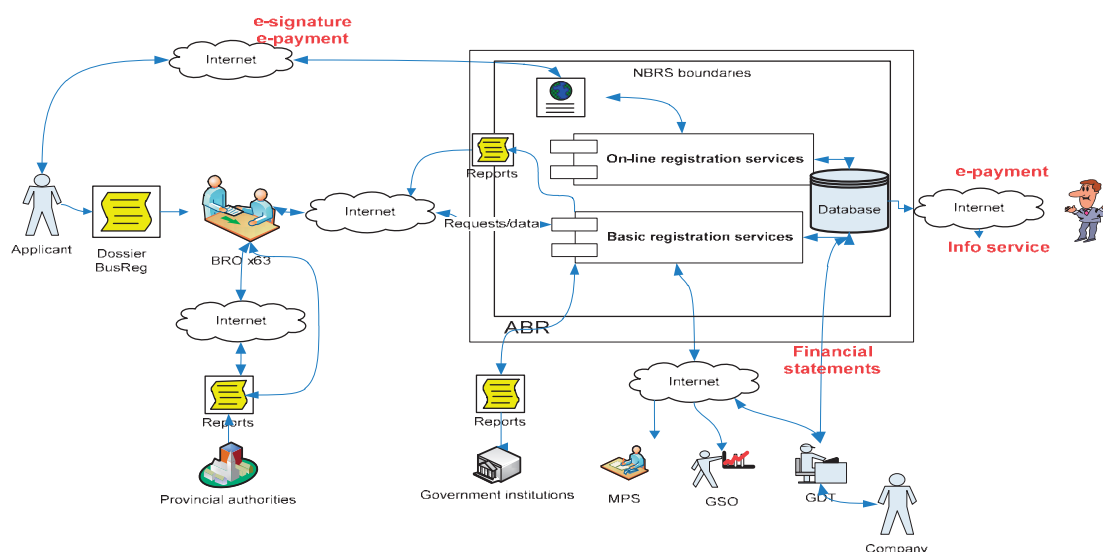
A Steering Committee oversees the different “sub-projects” under the BRR programme, chaired by MPI’s Vice-Minister and with members including high level representatives from the direct partner institutions: General Department of Taxation, General Department of Police – specifically the Department responsible for economic issues-, General Statistics Office, representatives from the localities with largest business registration activity (Hanoi City and HCMC DPI’s), and VCCI and the SME Association as representatives of the business community. The Director General of ABR acts as the Secretary of the Steering Committee.

Implementation to date

On 7 August 2008, the MPI, NORAD and UNIDO signed the project that permitted full-swing launching of the first step in implementation. By November 2008 the chief technical adviser was selected and fielded, the project office set up and the project team in place.

The NBRS architecture put in place is schematized in Figure 3 below. This involved a wide range of activities, cooperation among stakeholders and high-level support to make it happen.

Figure 3
NBRS architecture



Of the multifaceted support funded by NORAD (that is ending in December 2011), the following achievements are highlighted:

- Assistance in further **legal reforms** related to business registration: as legal documents define how the NBRS operates, assistance was provided in the process of drafting, consultations across the country and finalization of the revised Decree on Business Registration, and new circulars on NBRS procedures including those pertaining to **inter-ministerial cooperation**. Support was also provided to the preparation of the Regulatory Impact Assessment (RIA) report, which is, since June 2008, a legal requirement for all new regulations. The new Decree on Business Registration was signed by the Prime Minister on 15 April 2010 and came into effect as of 1 June 2010.
- **Equipment procurement:** preparation of international tender documents for the procurement of NBRS hardware (HW), software (SW) and internet service provision (ISP), both at the central level and in the BROs); purchase, installation and commissioning of the equipment.
- **Operation system development and implementation**¹²: preparation of tender documents for operation system development and implementation¹²; preparation of operation procedures and manuals supporting the execution of single-point-registration at the BROs; development of system applications to **transfer existing business registers** to the NBRS system and for NBRS to integrate with GDT's system. A beta version was developed and presented in workshops attended by BROs, and was fine-tuned based on comments received. Following a period of testing at the central level and BROs, as of end September 2010 a total of 44 out of 63 Provinces were "in production", using NBRS for both new registrations and amendments. **The system was rolled out and fully operational in all Provinces (63) covering 65 BROs (including 3 in Hanoi) as of 31 December 2010.**

¹² Based on an international competitive bidding process, the contract was awarded to a Norwegian firm specialized in this field that works in tandem with a Vietnamese partner.

- **NBRS training:** preparation of training materials, training of **trainers** on NBRS, and training of **users** (more than 500 staff of the BROs in all Provinces trained in the period October 2009 – February 2010, as well as NBRS **operators** at central level); organization of **study tour** to Norway for the members of the Steering Committee and regular participation of ABR staff in the Corporate Registers Forum meetings¹³ to learn from international best practices.
- **Communication:** preparation of a first **documentary film** (2009) used in the training courses; organization of **awareness raising workshops** across the country; **media** awareness campaign and dedicated **web site** involving a major local newspaper; preparation of a **brochure** to present and diffuse information on the support provided to establish NBRS.



“Consulting with the business community on the planned legal changes in Quang Ninh province in 2009”

The NBRS constitutes a major step in the modernization of the business registration system in Viet Nam and is fully in line with international practice in this field. Table 4 below gives a “before-after” comparison of the business registration process.

¹³ The Corporate Registers Forum (CRF) is an international not-for-profit organization for administrators of corporate and securities registers (www.corporateregistersforum.org)

Table 4
Before and after NBRS

Before NBRS	After NBRS
<ul style="list-style-type: none"> • Separate legal framework and separate process to get business code, tax code and company seal • Need to provide the same or similar information to different authorities • No cooperation between MPI, GDT, GSO and MPS in registration process • Forms differ from province to province • Forms not downloadable from provincial websites, with some exceptions • Inability to check enterprise names resulting in duplication of enterprise names across the country • Variations in quality of registration services • Manual processing in many BROs • Major delays to obtain separately the business registration, tax code registration and the seal permits (sometimes taking several weeks) • Incomplete information base on enterprise sector for policy makers 	<ul style="list-style-type: none"> • Simplification by low cost non-discretionary single-point-registration • Issuance of certificate with unique enterprise ID • Common legal framework regarding business and tax registration for authorities concerned • Consolidated application forms • Automation of processing workflows • Ability to check availability of enterprise name prior to registration minimizing the risk for duplication of the use of enterprise names • Same service nationwide regardless of the business location • Certificate issued within 5 days (provided the information submitted is complete) • Database comprising legally valid enterprise data for policy making, business sector and public at large

Testimonials

Statements made by officials of some of the partner organizations in newspaper articles and recent interviews illustrate outcomes in the field of BRR driven by the Government of Viet Nam and benefitting from UNIDO assistance:

“Although Decree 43 became effective on June 1, 2010, preparations for its implementation have been going on for many years..... With the establishment and operation of the National Business Registration System (NBRS), we have basically realized the final step in our progress to reform market entry procedures for the business community. We have reached the summit of the course: the integration of business and tax registration on the basis of inter-ministerial networking and the establishment of a legal framework for the application of information technology on exchanging and dealing with information and statistics between business and tax agencies” (MPI Deputy Minister Mr. Nguyen Van Trung in VIR, July 12-18, 2010).

“Business registration has undergone noticeable improvements in the past two decades and had a crucial role in the business community’s vigorous development. Our efforts in formulating national business registration systems have produced initial outcomes...” (Le Quang Manh, former Head of MPI’s Business Registration Division and currently Director General of ABR in VIR, special edition 5, 2011).

“Reform in procedures guiding business registration is one of the successful reform areas in the past 10 years. UNIDO assistance in this field has been long-term, focused and goes deep. The UNIDO model is good, providing the full package: from support in regulatory reform, its implementation, to investment in “the system” at both the central and provincial levels.... The good relation between MPI and UNIDO has been important from VCCI’s point of view and has facilitated the work” (Dau Anh Tuan, VCCI).

“Before NBRS, it took 10 days to obtain a seal permit. Now we can do it in 1 day. We are glad we can provide a quicker service to businesses” (Thai Dung, Ministry of Public Security).

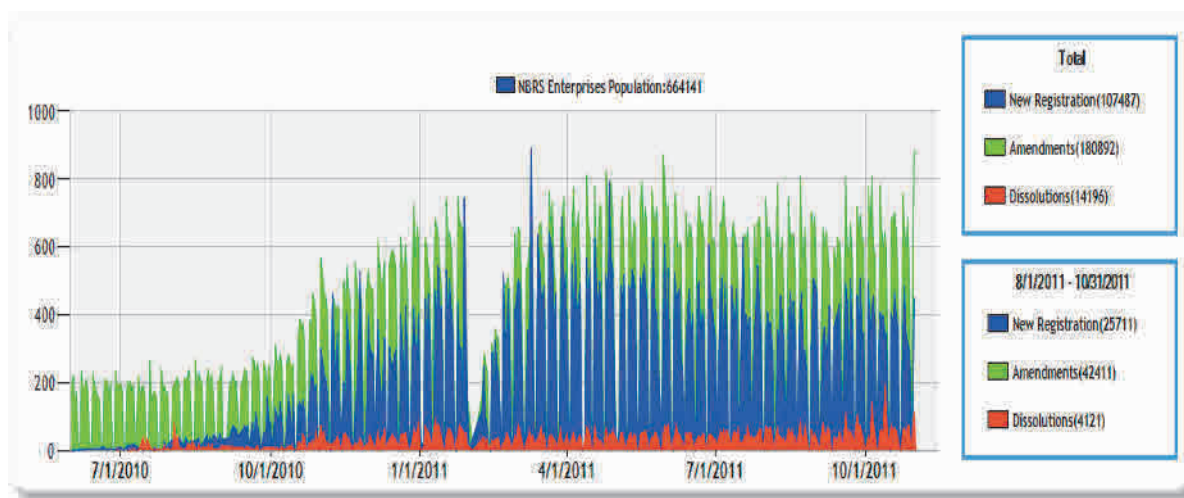
“The business registration reform efforts supported by UNIDO have facilitated cooperation among different agencies; the central storage of data involving the collaboration of different agencies is of great importance; NBRS will be an important tool for us when conducting periodic surveys to assess the result achieved by enterprises in Viet Nam” (Tran Tuan Hung, General Statistics Office).

“Modernization of business registration is the way to go and automation is good for both the BROs and for the enterprises”; “ A nationwide common business registration system is indispensable; other countries have it and we have to do this too”; “We are step by step moving forward on this path as pioneers, but need to recognize that in addition to computerization, there are challenges including lack of staff to deal with workload, the need for changes in mentalities, as we are sometimes questioned by other agencies why we register company x or y, or told that we need to get their permission. And also post-registration is important, to know how enterprises are faring after registration” (some leaders of Provincial BROs).

Snapshot of NBRS statistics to date

NBRS is used in all Provinces since January 2011 and includes more than 660,000 records, consisting of over 538,000 enterprises and over 126,000 business locations, branches and representative offices as of October 2011 (Figure 4).

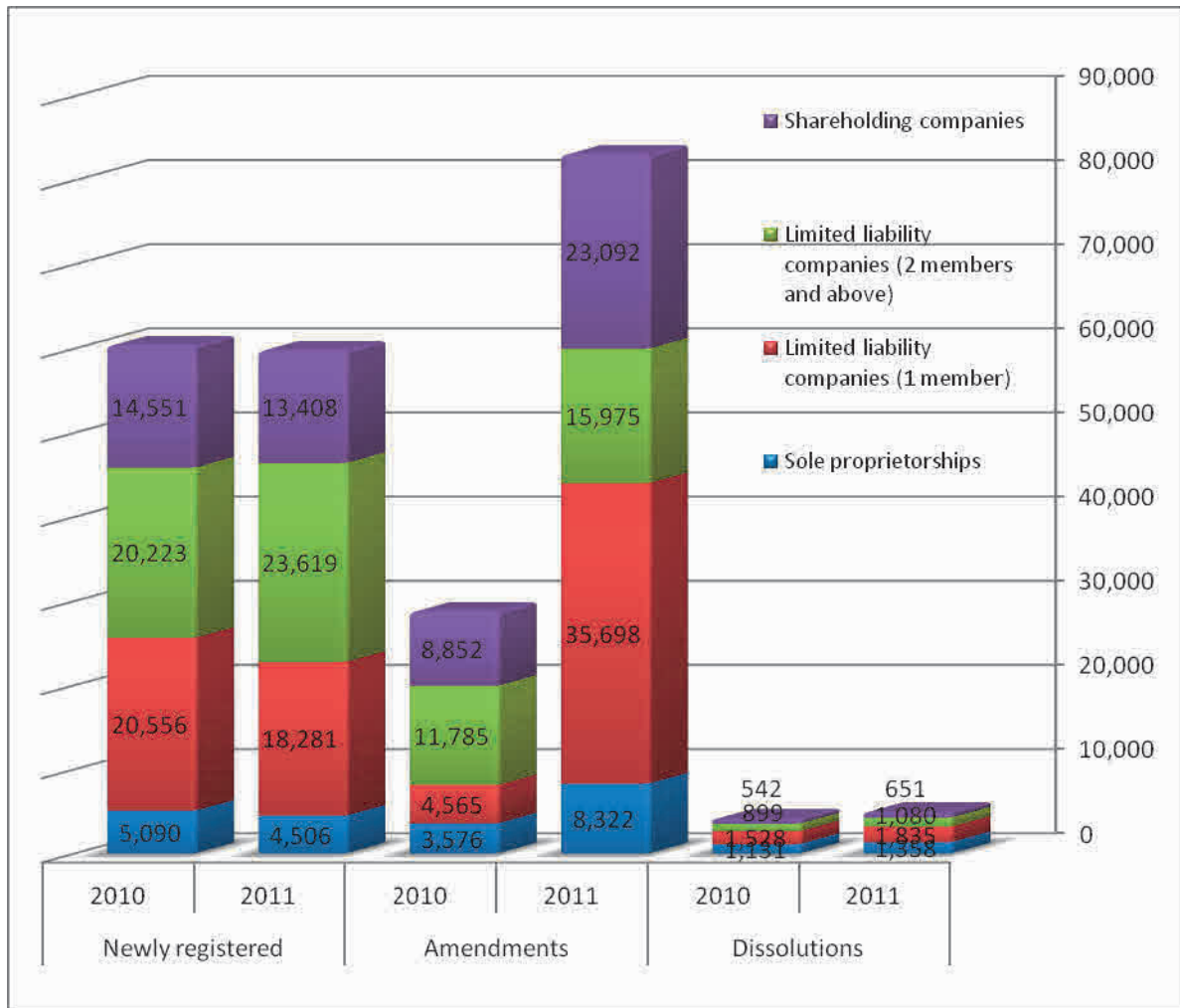
**Figure 4
NBRS population**



Statistics also show that about 28% of enterprise owners and 24% of legal representatives are women.

Another interesting observation is related to a large increase in amendments made to enterprise records, while there have not been major changes in regulatory requirements on amendments. Although not yet confirmed through additional analyses and investigation, increased interest shown by the business sector in making significantly large number of amendments to their records may be due to increased awareness of the need to keep updated information on file in the NBRS (Figure 5).

Figure 5
New registrations, amendments and dissolutions*



*Source: NBRS, 2010 and Jan-Sept 2011

8. Related assistance

Whereas the organization has played an important role in support to both the preparation and the implementation of BRR in Viet Nam, UNIDO was evidently not the only one active in this field and important contributions of other multi- and bilateral donors and agencies is to be recognized. It is to be noted to the main international actors have participated in consultation and planning workshops organized by UNIDO. Moreover, MPI brings together donors involved in SME support through the Private Sector Development and SME Promotion Partnership Group, with a view to sharing information and fostering collaboration and synergies.

In particular BRR related support of other development partners is highlighted in Table 5 below (in alphabetical order, including also combined efforts of donors/agencies):¹⁴



“Project team leaders”

¹⁴ Based on information contained in UNIDO project documents, project reports and publications by the respective organizations

Table 5
BRR related support of other development partners

Asian Development Bank (ADB)	ADB has delivered short-term technical advice on business registration. A consultant's report summarized the challenges faced and offered some technical recommendations on the IT infrastructure and business registration system. Among the policy conditions of ADB lending for SME development figures a national business registration system that foresees a consolidated application process for business, tax and seal engraving permits to be implemented in 63 provinces. This policy condition was instrumental in firming up high level political BRR support.
European Union (EU)	Through its Private Sector Programme, the EU has conducted in 2006 an assessment of the mechanisms for public administration services delivery in setting up domestic businesses in selected cities, which culminated in a number of recommendations for setting up provincial level one-stop-shops. There is no indication of continued work of the EU in the area of business registration at the provincial levels, in that regulatory reforms in this field meanwhile have rather taken a nationwide route.
German Development Cooperation (former GTZ, now GIZ)	<p>GTZ, together with UNDP and IFC, has assisted the Central Institute for Economic Management (CIEM) during the formulation of the 2005 Enterprise Law that was an important step in the legal reform focused on improving the business environment in Viet Nam. ASMED benefited from this in the form of support to the organization of workshops and field trips to provinces for consultations during the formulation of articles related to business registration. GTZ also sponsored and published jointly with CIEM a study on the results and lessons learned from the 1999 Enterprise Law (GTZ and CIEM, 2006). In this context and together with the Prime Minister's Research Commission and UNDP, GTZ stimulated improvements in regulatory governance, including a publication on the improvement of the quality of business laws (GTZ et al., 2005).</p> <p>The agency thereafter also engaged in work at the provincial level to streamline administrative process, including in business registration. GTZ supported reforms in four provinces, including the launching of a provincial gateway labelled "BusinessPortal" with a range of functions (among which computerized business registration). Whereas GTZ initially planned to take this model to the national level as a step towards e-government pertaining to business registration, the programme ended in the course of 2009 (GTZ, 2009). By then the Vietnamese authorities had opted for a nationwide approach and through the UNIDO support, the enterprise databases of the four provinces covered by the GTZ project were uploaded into the NBSR.</p> <p>Finally, GTZ stimulated the introduction of the Regulatory Impact Assessment (RIA) tool aimed at analyzing the likely impact of a policy change and of implementation options. UNIDO sponsored the preparation of the RIA pertaining to the 2010 Decree on Business Registration.</p>
United Nations	<p>*United Nations Development Programme (UNDP): Following its support to legal reforms such as during the formulation of the 2005 Enterprise Law, UNDP has continued its assistance in the field of legal reforms. It is to be noted that the UNIDO BRR support could learn lessons from an earlier initiative funded by UNDP (2001) to set up a National Business Information Network (NBIN). This network had linked 10 provinces to a database operated and managed at the time the MPI Enterprise Department (which later merged into ASMED, now EDA). However, in the absence of sufficient resources and "a model" based on collaboration among relevant agencies, NBIN has not been developed out of its pilot stage. It is recognized that NBIN was most important in inspiring HCMC to use IT in managing public services.</p> <p>*One UN: Viet Nam being a One-UN pilot country, the UNIDO's BRR initiative contributed to the One UN Plan and received funding from the One-UN Fund in the first phase of support to BRR implementation.</p> <p>*United Nations Conference on Trade and Development (UNCTAD): UNCTAD supported the Foreign Investment Agency within MPI in developing a web portal aimed at providing on-line information to foreign investors in the process of establishing business operations in Viet Nam. Although for now foreign investors and domestic firms are subject to different procedures for setting up their businesses, it is likely that these are harmonized in the future.</p>

United States Agency for International Development (USAID)	<p>Since mid 2008, USAID is supporting the initiative of the Office of the Government focused on regulatory simplification (commonly known as “Project 30”, given the aim to remove or simplify 30% of the existing administrative procedures following “the guillotine approach”) through its Viet Nam Competitiveness Initiative (VNCI). Based on extensive reviews of administrative procedures implemented by all Ministries, Agencies and Provinces, the purpose is to simplify administrated procedures for citizens and businesses alike. Following consultations between VNCI and UNIDO representatives and within the spirit of seeking coordinated donor assistance, it was agreed that reforms related to business registration would be dealt with by the UNIDO assistance, while ensuring collaboration and information sharing with VNCI. Another USAID funded project involves support for trade acceleration (STAR II), supporting legal and institutional reforms to enable Viet Nam’s economic growth through trade, investment, and economic integration.</p>
World Bank/International Finance Corporation (WB/IFC)	<p>Through its Mekong Private Sector Development Facility (MPDF), IFC played a major role, together with others including GTZ, UNIDO and others, to bring support to SME development high on the policy agenda of Vietnamese decision makers. One example of their advocacy efforts covered research of the business registration system, highlighting obstacles and the need for reform (IFC/MPDF, 2005). At the global level, the IFC developed a reform tool kit for BRR (2006), and conducted comparative research. The UNIDO approach followed in Viet Nam is in full harmony with the good practice principles defined by IFC. The stakeholder meeting organized by IFC in Jakarta (IFC, 2009) to present lessons from 10 countries included participants from Viet Nam including the UNIDO chief technical adviser. Also the flagship publication <i>Doing Business</i> is to be mentioned, which – as already mentioned in both Sections I and II - has popularized attention to business environment reforms, including on business registration, and continues to be a relevant benchmark of Viet Nam’s positioning. IFC has also played an active role in fostering the public-private sector dialogue in Viet Nam and supported the creation of the Viet Nam Business Forum (VBF), a platform for dialogue on issues affecting private sector development. Whereas IFC focused at some point on mapping and addressing business registration issues at the provincial level (zooming in on selected provinces and cities), emphasis has shifted in particular to addressing other constraints in the business environment, such as the simplification of tax administration for small businesses, support to the creation of a secured transactions registration system to facilitate access to credit (a major constraint for Viet Nam’s private businesses) and to the streamlining of administrative procedures for business land acquisition.</p>

IV

THE WAY FORWARD

9. Next steps in UNIDO BRR support and challenges

The preparation of the next stage (Steps 2 and 3) could commence thanks to funding by Switzerland through SECO and was formally launched on 29 October 2010 with the signature of the (updated) project document by MPI, Switzerland, UNIDO and Norway. Work has started, covering in particular:

- ❖ **Organizational development (ABR):** based on an organizational review, support is being delivered to develop and assist in the implementation of a strategic plan to enable the ABR to maintain and strengthen its performance and reduce dependence on the UNIDO project.
- ❖ **NBRS upgrading to enable full on-line registration and web-enabled demand-based enterprise information services:** based on the experience gained in operating the system, it is not surprising that there are features requiring fine-tuning or adjustment and by developing applications that will allow the database to be used by the business community, service providers to the business community, policy makers and the public at large.
- ❖ **Adding important functionalities, namely e-signature, e-payment, and registration of financial statements:** this is common in modern business registration systems and will alleviate the workload of BRO staff (many have too few staff to process the large number of daily applications).

As mentioned by Vice-Minister Trung “ *I would like to stress that there will emerge difficulties and mistakes in the first period of implementation. However, the mistakes will be fixed with our efforts. Otherwise, we will achieve nothing if we do not try*” (VIR, July 2010).

The main challenge relates to **strengthening the capacity of ABR**. In this start-up phase of the NBRS, ABR is the focal point to *inter alia* address enquiries from BROs varying from questions pertaining to system operations to the interpretation of circulars. ABR also hosts and maintains the National Database of Enterprise Registration including the NBRS hardware system, for now with support from UNIDO, but this will ultimately phase out. The organization is currently both understaffed and lacks adequate space for existing staff. Whereas over time the volume of requests addressed to ABR is expected to slow down (the longer the system is in operation), system upgrading will generate new roles and requests for which the organization needs to prepare. Hence the emphasis is on organizational development within the context of the ongoing UNIDO support, within the spirit of sustainability of efforts. This also covers the refinement of tools to measure trends in the performance of the services of both ABR and the BROs, including periodic surveys of the users of the system (enterprises). Overall, there is no major concern as regards the continuation of the work beyond the UNIDO support, as business registration will per definition continue.

A precondition for **effective demand-based enterprise information services** is the presence of **relevant documents in PDF format** as attachment of the business registration dossier. Efforts are underway so that attachments of the enterprise dossier will be scanned thus becoming part of the record of the enterprise in the NBRS. Once the IT infrastructure for such services is completed, awareness building efforts on the existence of the enterprise information will have to be organized.

The **upgrading of the IT infrastructure** is planned to ensure a stronger and speedier back up and more reliable business continuity practices.

In Viet Nam **e-signature and e-payment** are a **relatively new** phenomenon and it may take time for new start-ups to submit an application on-line rather than depositing the same at a BRO. Also, existing business are likely to be more exposed to electronic transactions than start-ups and are expected to be the first ones to benefit from e-signature and e-payment modalities to introduce amendments to their records. To the extent that amendments constitute a major proportion of BRO transactions, electronic submissions will also reduce the workload of BROs (the biggest ones being quite understaffed).

Finally, for up to date provision of **NBRS information as a service to the business community**, reliability of enterprise data and its continuous updating is essential. This challenge is being tackled initially through the provision of on-line “data cleaning/updating” facilities to BROs to compare information of registered enterprises in their provinces with data extracted from Tax databases. At the same time, a communication and promotion campaign is underway to encourage the business sector to update its information recorded on the NBRS.

In brief, work is in progress to fully complete the national business registration scheme. It is however recognized that **new requirements may arise**, such as the need to integrate also foreign-owned companies in this enterprise registry. Ongoing consultations on the Enterprise Law are expected to lead to the alignment to the principle of uniform treatment of all domestic, foreign-invested and state-owned enterprises as per requirements of the World Trade Organization (WTO) to which Viet Nam became the 150th member on 11 January 2007. This most likely means that the current NBRS will be the IT platform on which further applications are to be built **to make the system more inclusive**. Moreover, gradually also household enterprises will become a target group for awareness building regarding registration through this system. In other words, the system started processing registration for domestic enterprises that are established according to the Enterprise Law, but it is hoped that it will progressively expand to a comprehensive registry encompassing Viet Nam’s private sector at large.



“Clients receiving service at BRO in HCMC”

10. Lessons of relevance for other countries

The above synthesis of the main stages depicting BRR progress in Viet Nam shows in particular that:

- *high-level commitment and support is indispensable*: there has been and is a sustained engagement of the country's leaders to boost the socio-economic development of the country by, inter alia, bringing the business environment in line with international standards;
- *BRR takes time*: the process has been quite long yet BRR have been moving forward on the reform path step by step, working towards the same goal of streamlining the business environment of which BRR is part and parcel;
- *BRR is not necessarily easy*: public administration reforms of this kind are complex and implementation goes well beyond "the stroke of the pen of the decision maker", involving changes at the institutional and organizational levels;
- *inter-institutional cooperation is essential*: teamwork involving the main local stakeholders, at both central and province levels, has been a key factor for putting in place a common process;
- *BRR should be applied nationwide rather than at decentralized levels*: only single-entry registration following a common procedure throughout the country and generating a unique enterprise ID that is applied nationwide;
- *business registries have a vital information function*: public access to legally valid information on enterprises is an important feature of business registries to be emphasized;
- *BRR can act as platform for other e-Government initiatives*: the modernization of other systems such as social security, trademark and patent registries, credit information involve databases that can be connected to the national business registries.

Looking at *Doing Business* reports, there has been sizeable progress but there remains still ample room for improvement in many developing countries to modernize the business registration system in place. Reducing the cost and time involved in business registration is important for stimulating private sector development, as complex and cumbersome procedures discourage formalization. Also, improvements in the quality and efficiency of public administration in terms of handling business registration results in a public registry that contains valuable information for the business community, for the authorities and for the public at large.

Just as Viet Nam learned from other countries' systems when engaging on the BRR path, countries interested in such reforms can learn from Viet Nam's experience. Given its past and present role in the BRR effort in Viet Nam including, UNIDO can facilitate south-south cooperation exchanges and learning.

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