

USAID/Vietnam Competitiveness Initiative, Phase II (USAID/VNCI)

Monthly Report for January 2012

Simplifying Administrative Procedures

- **PM calls for stronger administrative reform effort:** speaking at the conference of the Ministry of Home Affairs on the 2012 workplan, PM Nguyễn Tấn Dũng urged MOHA to accelerate the implementation of the Master Program on State Administrative Reform for the 2011 – 2020. PM also asks MOHA to coordinate closely with the Office of Government for continued implementation of the Project 30. In his own words the Prime Minister used a Vietnamese expression, “will not run into the situation of elephant’s head with mouse’s tail,” a reference to the importance of full implementation and follow-through on Project 30 to achieve its full impact in reducing costs and risks for private enterprise and citizens.
- **Master Plan for Regulatory Reform:** DPM Nguyen Xuan Phuc, the “Commander” of Project 30 (title given by Vietnam Investment Review) in a recent interview with the VIR, has stated that the key issue for leaders at all levels is to change the mindset from “control” to enabling development. This concept was first discussed on the study mission led by then-Minister Phuc and sponsored by USAID/VNCI to Cairo and Paris to study international experience in regulatory reform in 2010. DPM Phuc believes that administrative measures have short-term effects only, and are of obstacles for social development. He also stated that lessons learnt from Project 30 could be very beneficial for the implementation of the upcoming Master Plan for Regulatory Reform.
- **Master Plan for Regulatory Reform:** on Jan 11, USAID/VNCI team met Dr. Bui Tat Thang, Deputy Director General of Development Strategy Institute, MPI to get an update on the development of the Master Plan on Regulatory Reform for 2011-2020. Dr. Thang asked USAID/VNCI to support a consultations process in the coming months to develop the full Master Plan, as well as identify strategies to influence the Prime Minister and government to endorse this critical and challenging reform initiative. Dr. Thang agreed with the idea that the U.S. Ambassador might send a letter directly to the Prime Minister to encourage his leadership and support for the new Master Plan that focuses on broader and deeper institutional reform and policy coordination.
- **AP Competition Program:** Youth Union, VASEP posted the competition rules on their internal newsletter. Youth Union is "ordering" two popular newspapers Tien Phong & Thanh Nien to print the competition rules in January.
- **Press gathering event:** on January 11, APCA communication and secretariat team prepared the press materials and hosted the press event, with USAID/VNCI support. Dr. Phan promised to involve press in inspection trips and provide cases/angles for success stories and challenges on Project 30's implementation.
- **Eurocham funded Communications workshop for APCA team on Jan 10:** three CanCham presenters provided core public communication advice for 20 managers and staff members working on or involving with communication (strategy, planning, web based communication). The APCA Communication’s team, supported by USAID/VNCI, also sought comments from experts and colleagues on the 2012 communications action plan developed by APCA. USAID/VNCI supported the preparation for this event. Following this workshop APCA saw the need for further capacity building in

communications and public relations. USAID/VNCI has also urged OOG to recruit a full time communication and secretariat staff in 2012 so that USAID/VNCI advisors can train and build capacity for sustainability.

- **New PPP model on AP reform:** USAID/VNCI supported the APCA team led by Dr. Phan to visit HCMC based FedEx air cargo pre-clearance terminal to introduce a successful PPP model for administrative reform in the customs area. This model helps to reduce custom clearance time for express shipment from 2-3 days to overnight service, which allows companies like FedEx and DHL to meet international standards for delivery time. The takeaway message for Dr. Phan is that "with a right mechanism, private sector and regulators can work together to bring value to all stakeholders, including businesses, government, and consumers", and that "there are plenty of success models for (AP) reform out there, similar to what FedEx has brought to Vietnam with the pre-clearance facility, and we should identify those and adopt to Vietnam context". USAID/VNCI will begin to explore pilot PPP projects with APCA in the area of administrative reform of public services that could be competitively outsourced through management service contracts to private companies, a complementary approach to the large capital investments in PPP pilot infrastructure projects under Decision 71.

Regulatory Reform and Regulatory Impact Assessment (RIA)

- **RIA training courses:**
 - Prepared training materials for a Workshop on the Principles of Market Economy and the Role of Government for APCA staff.
 - Drafted a checklist for regulation review as part of preparation for the PERQ Report Semi-Annual Assessment on Regulatory Quality
- **Support development of better regulations:**
 - **National Assembly's Review of Price Law:** USAID/VNCI is arranging a consultative meeting with the National Assembly's Financial and Budgetary Committee on the Price Law, in cooperation with VCCI, CIEM, EuroCham, some related industries, such as cement and steel. The purpose of the dialogue is to persuade the Committee to remove anti-market provisions in the existing draft law. The event is funded by EuroCham. The event has been tentatively confirmed to take place on Feb 10, 2012.
 - **Vinh Phuc Consultation on RIA Process for Draft Law on Mediation:** USAID/VNCI organized and facilitated a Focus Group Discussion on the outline and key issues of the Law on December 30-31 in Vinh Phuc. As tradition of law drafting process, the Vice General Director of Legal Dissemination and Education, who is the key member of the drafting team, suggested to discuss the framework of the law first. USAID/VNCI team refused and explained to her why policy options should be discussed first before anything else. USAID/VNCI team has been successful in persuading the drafting team not to work on the text of the law before completing the RIA process. After the meeting, some members of the group praised USAID/VNCI team for our professionalism and consistency in our approach. It turned out to be a good lesson for the participants.
- **RIA facilitation for:**

- **Civil Code:** Drafted a summary of RIA discussion for the issue of the ownership of public areas in apartments for the drafting team of the revised Civil Law. This summary will help the drafting team understand how a policy options resulting from RIA can be interpreted in a draft law.
- **Law on Making Master Plans:** Organized a workshop on “Competitiveness and Governance: New Incentives for Market Regulation” for the drafting team of the Law on Making Masters. This presentation will help the drafting team change their mentality about making plans in the central planning economy and apply market principles to improve economic growth, create jobs, and protect consumers and the environment.

The Provincial Competitiveness Index (PCI)

- **PCI diagnostic:** presented at the workshop on "Macroeconomic policies, opportunities and challenges to local business environment" in Bac Lieu on January 5, 2012. The workshop was chaired by the standing Vice Chairman of Bac Lieu People's Committee and funded by Ministry of Finance through Training Department of VCCI. It was well attended by almost 80 government officials and local firms.
- **PCI report:** meeting within the PCI team to discuss strategy for streamlining the PCI 2011 report, held a conference call with Edmund Malesky to agree on the report structure, biggest changes including posting online the chapter on 6-year panel data analysis PCI 2006 - PCI 2011 together with appendices, and focus on key changes of economic governance observed in the PCI 2011 - FDI survey.
- **PCI launch:** US Ambassador agreed with Chairman Loc of VCCI to deliver a keynote speech at the launch, finalized contract with Melia hotel to accommodate 400 participants for the event.

Infrastructure Financing/Development via Revenue Bonds & Public-Private Partnerships

- **Hai Phong-Ha Long Expressway:** completed the Initial Screening Report on Financial Feasibility assessment for the new \$500 million Hai Phong-Ha Long expressway and reviewed with MPI PPP TF, which sent it to Party Secretary Chinh of Quang Ninh province. The assessment was presented to PPP TF and ADB team on Jan 11, 2012, and waiting for Quang Ninh feedback. Ben Darche and team is drafting the Terms of Reference for the pre-feasibility study, in consultation with World Bank and ADB, and financed by Quang Ninh Province.
- **Meeting with PPP TF team** to update the progress and planning for next step. A few key issues are:
 - **Political support:** following the meeting chaired by DPM Hoang Trung Hai on December 20, 2011, his office issued his announcement No. 309/TB-VPCP dated December 23, 2011 on strategy development for PPP and leading role of MPI in key issues of PPP Initiative.
 - **Use of government budget:** DPM Hai agreed to allocate state budget to set up PDF fund for hiring consultants to screen potential projects for PPP pilot program and approved 5 projects for PPP pilot status under Decision 71.

- **Coordination with MOF and other agencies:** MPI has continuous consultation with MOF in delivering guidelines on State Contribution and negotiating with ADB on PDF fund. USAID/VNCI contributed a bridge for both MPI and MOF in this initiative and MPI agreed with USAID/VNCI approach with MOF.
- **Institutional set-up:** PPP permanent Unit under MPI leadership still in the process of consideration.
- **Donor coordination:** PPP TF requested USAID/VNCI team to support donor coordination on PPP initiative through the development of a matrix that takes stock of different initiatives provided by various donors on the PPP initiative. This is part of a larger exercise that PPP TF was tasked with by DPM Hoang Trung Hai in moving the PPP initiative agenda forward. In a recent meeting (December 20, 2011) with leaders from ministries and provinces on PPP, DPM Hai ordered MPI to be the focal point on all PPP initiatives that are currently fragmented in different ministries and provinces.
- **Mini-CG Meeting:** during discussions with ADB and PPP TF, we were requested to provide a summary of donor support to PPP TF that will complement ADB's loan to PDF fund. We pointed out that much of the support is short term because donors have been cautious due to lack of clear commitment and clear actions from GVN. ADB returns to Hanoi the week of March 5, but earlier may be better to hold a mini-CG meeting with MPI. Now seems to be the time to push for a mini-CG meeting as Minister Vinh is finalizing the institutional setup of PPP Task Force. USAID/VNCI recommended that Frank Donovan talk to Victoria Kwakwa about setting up a mini-CG meeting as soon as possible

Project Management:

- **Nguyen Ngoc Lan Anh decided not to join USAID/VNCI team:** Lan Anh, the candidate approved by USAID to join USAID/VNCI as Financial Infrastructure Advisor who signed an employment letter, announced her decision not to join our team on Jan 17. Reasons cited were personal issues related to the short term employment contract, and unclear next phase of the Project. USAID/VNCI will start recruitment process again after TeT holidays.
- **Vinh Ngo, Economist and Regulatory Advisor, officially started working** with USAID/VNCI regulatory reform team on January 3, 2012. Bringing over 10 years experience in teaching, consulting, and research in economic and business topics, including 2 years as Research Associate at Lee Kuan Yew School, Vinh Ngo is expected to provide further economic analysis capacity for the USAID/VNCI team.

International Visitors

- **Ben Darche, Senior Infrastructure Advisor,** plans to come back during the last week of Feb 2012 for a follow up discussion with Quang Ninh and PPP TF on next steps for Halong-Hai Phong Express way project, including a review of the pre-Feasibility Study and financing issues for various stages in the project life cycle.
- **Scott Jazyanka, the candidate for Senior Infrastructure Financial Advisor** will have a 10-day trip to Vietnam during the last week of Feb 2012 to coincide with a trip by Ben Darche, to work with MPI and Quang Ninh Province on the Ha Long-Hai Phong \$500 million expressway project. This will allow Mr. Jazyanka to quickly get up to speed on

this important first pilot project and meet the key counterparts and project team prior to his mobilization to Vietnam.

- **Scott Jacobs, Senior Regulatory Advisor, March 12 – 23, 2012**, will work with APCA and PERQ on developing the methodology for the semi-annual Regulatory Quality Assessment and with DSI and APCA on the new draft Master Plan for Regulatory Reform.