

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

### Monthly Report for May 2012

#### **Simplifying Administrative Procedures**

- **Improving the compliance and performance from line ministries and provinces on AP reform through accountability and transparency:** as part of a larger strategy from APCA to raise performance in AP reform from ministries and provinces, the second draft of M&E for AP reform was discussed between APCA team and USAID/VNCI's Senior Regulatory Reform consultant, Scott Jacobs, on May 22, 2012 for further improvement. During the discussion, Scott Jacobs also shared international practices on M&E for AP reform and clarified all questions raised by APCA. This facilitates APCA to develop a strategy for M&E of AP reform activities, especially, on how to measure satisfaction of and impacts on individuals and businesses regarding regulations on APs. It will help to improve the index to make it more suitable for management purposes and effective as a tool to push reform efforts forwards.
- **Meeting with Vice Minister Thu on sustainability of AP reform and optimal impacts on socio-economic development in Vietnam:** USAID/VNCI's Senior Regulatory Reform consultant, Scott Jacobs, discussed with VM Thu on May 22, 2012 about sustainability of AP reform and optimal impacts on socio-economic development in Vietnam. Aims of discussion are to share challenges, how to overcome these challenges and success stories in AP reform with VM Thu so that VM Thu can support or request higher OOG's leaders to support APCA in AP reform. USAID/VNCI also used this opportunity to introduce Scott Jazyanka, USAID/VNCI's new Senior Infrastructure Advisor, to OOG/APCA's leaders. At the end of the meeting, the Deputy Director of the Personnel Department of OOG requested USAID/VNCI's advisory team to provide OOG with international practices on oversight bodies for regulatory reform in other countries in the world. International practices on oversight bodies for regulatory reform in Australia, Canada, South Korea, Mexico, Holland, Portugal, Italy, UK and USA were provided to OOG by USAID/VNCI's advisory team. This will enable OOG to develop a relevant regulatory reform vision and strategy to be submitted to PM for approval.
- **Unified Citizen Identity Number:** APCA's Internal Affairs Department held a first meeting with private sector representatives to collect comments to finalize a strategy review plan of unified citizen identity number. USAID/VNCI's advisory team has been invited to share international experiences and key points to be considered for the review. Information shared by USAID/VNCI's advisory team is highly appreciated by APCA. This reform will greatly simplify time costs, fees and paperwork for citizens and government through the unified citizen identity number.
- **Guiding materials on AP bundle review have been approved and issued for implementation at ministerial and provincial level:** Following 9 training courses on AP bundle review for 24 ministries and 63 provinces, a set of guiding materials on AP bundle review have been developed, approved and issued by APCA's director for implementation. The materials provide ministries and provinces with guidance on applying process mapping and review forms in carrying out review plan of the Decision No. 263/QD-TTg and annual AP review. The guidance enables APCA, ministries and provinces to ensure consistency and quality of review implementation and results.

USAID/VNCI's advisory team is heavily involved in this process and contributes considerable inputs in the guiding materials.

- **Communication:**
  - **AP Competition:** The final number of entries will be disclosed at the organizing committee meeting planned by the end of next week. Current estimation is more than 24,000. Three APCA senior officials were mobilized to the supporting team of the organizing committee to attract more resources for the competition.
  - **Media:** Dr. Phan's interview was published on *ThanhNien* newspaper's series of articles on troublesome APs for citizens.
  - **Website:** Follow up with internal departments and CanCham's expert to improve website's layout and content, to be launched in June, 2012.
- **ACAPR activities:**
  - The Secretariat met with **Banking Association** to review the licensing of commercial banks and AP group covering conditions for legal capitals and bankruptcy.
  - **Customs & Trade working group** kicked off meeting via video conference between Hanoi and HCMC with more than 30 attendees, including media representatives.
  - The secretariat facilitated a meeting with **Consumer Protection Association** to kick off focused review on this important theme.

## **Regulatory Reform and Regulatory Impact Assessment (RIA)**

- **Better regulations:**
  - **Draft Law on Spatial Planning got new twist:** drafting team of the Spatial Planning Law has been struggling with the development of the law, especially on the scope of the law, and potential conflicts with sectoral laws/regulations. However, in the meeting on 25 April, a presentation by Prof. Tran Trong Hanh (former Director of Hanoi Architect University) on integrated planning concept using his current project for Vinh Phuc province has opened up the team's mindset on the direction of the Law. The idea is built around the economic development strategy of a province/region/country for optimal use of resources and infrastructure. MPI has asked National Assembly for a delay submission of the draft law so that they have more time to explore this new route.
  - **Revised Law on Laws:** USAID/VNCI is finalizing a support program to MOJ and other stakeholders to revise the Law on Laws with the aim to lay out a foundation for future regulatory reform and better regulations in Vietnam. Initial discussions with MOJ and OOG suggests that this is a great opportunity to maintain good elements in current LoL, such as RIA requirement and public consultation, and advocating for better coordination among government agencies carrying out supervisory function of the regulatory system, as well as further quality management of the regulatory system. USAID/VNCI will be coordinating with USAID/STAR and other partners to ensure optimal impact.
  - **Support MOJ on RIA for revised Law on Laws:** USAID/VNCI and Scott Jacobs worked with MOJ on how to do impact assessment for the revision of the Law on Laws which is scheduled for National Assembly reading and decision in 2013. The discussion has identified a list of issues to be selected and analyzed in the RIA. This is an opportunity to establish good foundation for further regulatory reform, and

improve coordination among key government agencies in quality control of legal norms in the future.

- **Support for MOJ to develop post-implementation evaluation of legal norms:** USAID/VNCI's Senior Regulatory Reform Advisor, Scott Jacobs and USAID/VNCI team worked with the Department of Administrative and Criminal Legislation, MOJ on 14-16 May to develop methodology and mechanism to select and do post-implementation evaluation of laws as required under the Law on Laws. The methodology will help ministries and agencies to identify legal norms that are of high priority for evaluation and revision. This risk-based approach will help them focus on the norms that needs reviewing the most and save resources as compared with indiscriminate evaluation of due norms. The discussion has resulted in a detailed outline of the methodology and further discussion is needed to complete it.
- **RIA training**
  - **Advanced RIA workshop:** USAID/VNCI and Scott Jacobs delivered an advanced RIA training workshop for a group of selected officials from various ministries and agencies on 24-25 May 2012. The attendants showed appreciation and gratitude for the workshop which gave them practical knowledge and skills on how to do a real-life RIA. The event also served as a networking opportunities and attendants agreed to join a mailing list which helps share information and knowledge on doing RIA.
  - **RIA training:** USAID/VNCI regulatory reform team and RIA associates conducted RIA training workshop for MOH staff who are from various functional departments the ministry from May 10-11. The workshop is requested by the Department of Science and Training, MOH for the purpose of improving law-making skills of MOH staff.

## **The Provincial Competitiveness Index (PCI)**

- **2011 PCI diagnostic workshops**
  - **Workshop in Thai Nguyen:** was co-organized by Thai Nguyen People's Committee, VCCI and The Friedrich Naumann Foundation for Freedom (FNF). The workshop was chaired by Thai Nguyen PC's Chairman and Vice Chairman, VCCI Vice Chairman. There were about 150 participants who are leaders of line departments, administration government at provincial and district level, business associations, local business enterprises and media.

Thai Nguyen dropped to 57th position in PCI 2011 from 42th in PCI 2010. The drastic decline in its ranking has triggered Thai Nguyen to organize a diagnostic workshop on PCI for the first time. Shortly after the PCI 2011 launch, Thai Nguyen Party branch issued Directive 19 on April 18, 2012 which directs the PCI action program for the 2012 and subsequent years. Thai Nguyen also established a PCI Steering Committee led by its PC Vice Chairman and tasked with improving the business environment and its PCI results. The Steering Committee subsequently issued an articulated plan on detailed implementation of the Directive with clear tasks assigned to in charge line departments and local administrations.

Following the presentation of PCI team, the Head of Thai Nguyen PCI Steering committee presented the detailed PCI action plan which included recommendations

made by the PCI team such as addressing problems in land compensation, land pricing, organization and update of information, particularly administrative procedures on the websites of provincial PC and line departments. The workshop is highly appreciated by its participants with high consensus on importance of enhancing the local business climate through PCI as well as detailed recommendations put forward by its steering committee. Respective departments and district administration governments are required to design a detailed action plan on how to address issues in the PCI analysis, improve AP reforms and improve capacity, service attitude of its bureaucrats.

- **Workshop in Binh Dinh** on May 10th was chaired by Binh Dinh PC's Chairman and Director of VCCI Da Nang. With about 80 participants who are leaders of line departments, administration government at provincial and district level, business associations, local business enterprises and media, the workshop focused on figuring out reasons why Binh Dinh continuously drops in the PCI ranking list and proposing solutions to improve the provincial business environment.
- **Workshop in Ninh Thuan** on May 11th was chaired by Ninh Thuan PC's Chairman. In addition to presentation by PCI team, there were good-practices sharing sessions by Mr. Phan Duc Hieu, CIEM on how to simplify administrative procedures in land and construction and by Mr. Nguyen Phuong Bac, Director of DPI Bac Ninh on how Bac Ninh has achieved high PCI positions over time. The workshop witnessed commitments by provincial line departments to improving their competent areas to facilitate the business environment for better growth and investment and cooperation agreement between DPI Bac Ninh and EDO Ninh Thuan.
- **Workshop in Ben Tre** was co-organized by Ben Tre PC and IFAD funded project on Enabling poor rural people to overcome poverty on May 17, 2012. The workshop was chaired by Vice Chairman, Mr Tran Anh Tuan, and attended by 80 government leaders and officials. Ben Tre dropped drastically to 30<sup>th</sup> position in PCI 2011 from 10<sup>th</sup> place in PCI 2010. The IFAD funded project in Ben Tre contracted the Institute of Economy to design a plan on improving Ben Tre's PCI for the period 2011 – 2015. The PCI team diagnosed areas of greatest decline including pro-activity, time costs and informal charges and areas of lowest ranking position including entry costs, time costs and legal institutions. Representatives from DOLISA, DPI, DONRE, Industrial zones management board, and tax department commented on the PCI analysis results and action plan in which they demanded more details in the action plan. The vice chairman wrapped up the workshop saying that the PCI analysis is very useful to provide an overview and comprehensive picture of Ben Tre's governance competitiveness that needs permanent attention from its government. Ben Tre can't rest on its glory but needs to maintain its reform engine and motivations. Following the PCI workshop, DPI Ben Tre will coordinate with other competent departments to put forward an action plan to be submitted to Ben Tre PC;
- **Workshop in Soc Trang** on May 18, 2012 organized by Soc Trang PC and VCCI in Can Tho. The workshop was chaired by Director of Soc Trang DPI and supported by the SME promotion project in Soc Trang funded by CIDA. The Party branch of Soc Trang is going to issue a resolution on improving its business climate and promote investment. Soc Trang DPI together with its office of statistics conducted a survey to understand problems and issues facing local enterprises. Soc Trang also established a task force headed by its Vice Chairman to provide timely support to local businesses.

Even though Soc Trang is a small province next to Can Tho, center of Mekong Delta region, its poor quality of infrastructure is a great obstacle to attract investment into the province. Soc Trang is now home to 1,500 registered enterprises;

- **Workshop in Dak Nong:** Dak Nong province organized a two-day PCI workshops: one for district level at Dak Mil district on May 22 and the other at provincial level at Dak Nong main town on May 23. There was a good turn-out for both workshops. It was the first time the province desired to raise awareness on PCI and the importance of improving provincial governance to grass-roots civil servants, which was highly appreciated by the participants. It turned out that many of Dak Nong district officers have never heard of PCI and that improving PCI needs their involvement never come to their mind. That maybe one of the reasons why Dak Nong could not make a big jump in PCI ranking regardless of how many reforms they have taken. The workshops were chaired by Vice Chairman of Dak Nong PPC and Director of DPI in collaboration with VCCI in Da Nang.
- **Workshop in Cao Bang on May 29:** Cao Bang has always been in the lowest PCI tier since 2006, especially this year, the province landed at 63rd from 52<sup>nd</sup> position in 2010. The theme for this workshop was much different from the previous ones, which was mainly dialogue between the business and the provincial government. This was also the first time all 9 governing departments of Cao Bang were present to answer business concerns and problems. The dialogue was very open, being encouraged to speak, many businesses expressed their thoughts and views on the province government as well as asked for solutions to their firm's difficulties. This was a good starting point for Cao Bang in bridging their management performance with businesses to improve the investment environment. The workshop was sponsored by LUX project, chaired by Cao Bang Chairman of PPC.
- **PCI 2012 survey:** finalizing the design of survey package including PCI flyer, gift book and VCCI letter to attach with survey questionnaire; reviewing survey budget and questionnaires.
- **PCI outreach:**
  - Successfully organized a debriefing on PCI and its impact in driving economic reforms in Vietnam to the USAID Deputy Administrator, Don Steinberg, and Assistant Administrator for Asia, Greg Beck, in Da Nang. The debriefing was hosted by VCCI Da Nang and moderated by Jim Winkler after an introduction from Frank Donovan;
  - Met with DFID to discuss the design and preparation for its planned three regional workshops on Anti-corruption efforts by provincial government with relevant research findings from PCI, PAPI, General Inspectorate's survey and showcase of good examples observed at local levels;
  - Completed a draft article on FDI for posting on the Vietnam Investment Review;
  - Presented at CIDA SEG forum on Transparency and Accountability; attended Vietnam Business Forum.

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

- **Capacity building for PPP office:**
  - Mr. Tang, Director General of Public Procurement Agency met USAID/VNCI team on May 4, 2012. He shared with USAID/VNCI team all difficulties and challenges that PPP program is facing, and his vision and strategy on how to implement the PPP initiative. He requested USAID/VNCI to support his newly set up team to deliver and prove to the government and the public that PPP can work in Vietnam. USAID/VNCI's PPP team, including Scott Jazyuka, Roy Torkelson, Cuong Ha and Hung Tran will be working closely with MPI's PPP team in coming months on an intensive basis.
  - Follow-on MPI request, USAID/VNCI team has had a series of meetings with MPI's newly set-up PPP team of 6 highly motivated staff to discuss the workplan, tasks allocation, and technical issues such as tools and guidance, and status of screening reports for 2 projects in Thanh Hoa: Nguyet Vien Toll Road and Nghi Son IZ Waste Water Treatment.
  - Discussion with PPP Office on May 28 to revise the Action Plan, finalize short-term plan and milestones for the next three months. Members of PPP Office had clearer understanding of their roles and responsibilities for future operation to be able to achieve the goals and milestones set forth.
  - Supported the MPI and the PPP Office in transaction advisor contract negotiations with Daeyeong Ubitec (Korean) and Teckad who will advise on the procurement of a Decision 71 PPP for an e-Government Procurement system, which is a mamor opportunity for the first pilot which will provide the transparent system for government procurement across all ministries and provinces.
  - **Project Identification:** Continued working with Thanh Hoa ASA to indentify information gap for 2 projects by PPP Office requirement: Nguyet Vien Toll Road and Nghi Son IZ Waste Water Treatment. The meeting result turned out promising with high commitment from Thanh Hoa's leader and a concrete plan for moving these two projects forward. VNCI team is preparing financial model for WWTP, questionnaire to identify information gap and brief recommendation for this project.
- **State contribution policies for PPP:** USAID/VNCI's Senior Infrastructure Advisor, Roy Torkelson, and USAID/VNCI team met and discussed with the Director General of Capital Department, MOF, Mr. Hong, on the issues of state contribution policies for PPP projects. It was a frank and open discussion from both sides, and Mr. Hong likes the idea of looking at state contribution policies from the risk sharing principles that USAID/VNCI team introduced, and agrees that the government should be coordinated to have a single message and policy to the public and investors to ensure the success of the program.
- **Discussion with MOF on IFF:** USAID/VNCI had a discussion with the Banking and Financial Institution Dept of MOF to clarify understanding of IFF model. It is clear that MOF/Banking Dept intention is to establish a Fund that they think would help to finance infrastructure projects under PPP model, while MOF is unsure what issues they are trying to solve. USAID/VNCI suggests going from the problem definition and objective of addressing long-term risks and currency risks, and will analyze strengths/weaknesses and cost/benefit of each option above, and make recommendation to MOF. The next

immediate step maybe a discussion with some private sector stakeholders to test this hypothesis.

- **Sharing International Experience on PPP with National Assembly Deputies:** NA is holding the 3<sup>rd</sup> session of the NA 13<sup>th</sup> tenure and the Law on PPP were proposed to be discussed on the legislative calendar of NA in this term. Office of NA has requested USAID/VNCI to provide international experiences on PPP for National Assembly's Deputies, which USAID/VNCI has gladly obligated.
- **JICA approach is not welcome by MPI:** USAID/VNCI team was invited to participate in the MPI meeting with JICA consultant, Accenture. MPI team (Mr. Tang, Mr. Truong and Ms. Le) is not happy with JICA simply asking for projects without showing any added value to the PPP program in Vietnam.

### **Project Management**

- **USAID/VNCI retreat** on May 30 – June 1 to discuss progress, challenges, opportunities, sustainability and outcomes of 4 components of the Project. Outcomes of the retreat will be documented and submitted to USAID for update and
- **Transition plan for new COP:** Jim Winkler will be leaving USAID/VNCI on June 21, returning to US for a new position at DAI's home office. Scott Jazyanka, PPP transaction advisor, will be taking over the COP position from June 22. USAID/VNCI team is working on transition plan to ensure smooth operation of the project.