

USAID/Vietnam Competitiveness Initiative, Phase II (USAID/VNCI)
Monthly Report for August 2012

Simplifying Administrative Procedures

- **Project Document has been approved by OOG’s management:** The Project Document between OOG and VNCI has finally been approved by the OOG’s management. Accordingly, VNCI and APCA are required to work together closely in summarizing activities undertaken over the past five years and to prepare necessary procedures for the potential transfer of the function to the MoJ and ultimately for VNCI’s program closure.
- **Discussion on “New Strategy” with APCA management team:** With the increase in signals indicating that APCA will be transferred from OOG to MOJ, it is looking more and more likely that this will happen. As a result, USAID/VNCI is facilitating APCA management team’s efforts to identify and plan for key challenges and opportunities that will arise from operating within the MOJ. The principal outcomes of these discussions will help form a strategy and proposal for the Minister of Justice on where would be the best place for the APCA Office within the MOJ structure. USAID/VNCI will provide further support to APCA on this matter with international consultancy from Scott Jacobs, scheduled to visit Hanoi from Sep 17 -30, 2012.
- **Procedure “Granting Certificate of meeting required conditions of preventing and fighting fire” has been abolished:** GoV recently passed Decree No.46/2012/ND-CP. This decree that came into effect on July 15, 2012, amends and supplements Decree No.35/2003/ND-CP. According to the Decree No.46/2012/ND-CP, the procedure (“Granting Certificate of meeting required conditions of preventing and fighting fire”) includes a notification scheme where individuals or businesses are only required to notify the authority with relevant evidences when their buildings meet the conditions of fire preventing and fighting set by the government. This reform was part of Project 30’s recommendation package that was passed by GoV under Resolution 25/NQ-CP in June 2010.
- **World Bank is committed to provide technical assistance to support APCA in researching reform initiatives:** On August 3rd, a delegation led by the WB with participants from JICA, ADB and the State Bank of Vietnam met with APCA (Mr. Dung, Deputy Director General) to discuss the possibility of including some of the AP reform topics under Decision No.263 in the World Bank’s EMCC program as triggers for policy actions by GoV. The areas of interest to the WB include business registration, tax, custom and public spending. WB is committed to supporting APCA in providing technical input for reform. The APCA team agrees to work with the WB team in the future and will seek WB support in prioritizing AP reform topics in the coming years, under the EMCC framework. This support/cooperation will give APCA and the AP reform initiative valuable resources, and will increase APCA’s ability to reach out to the international community, as the EMCC program is also supported by SECO, ADB, JICA and AusAID. The World Bank team also thanked USAID/VNCI for connecting APCA and WB. This relationship has allowed for good cooperation in supporting AP reform.
- **ACAPR and Communications:**
 - **AP competition:** About 40 individual and 9 group papers on AP reform ideas were selected out of 1,078 that were short listed in a previous phase (over 40,000

papers were submitted in total). APCA is planning to invite independent external experts to review and rank the shortlisted papers. The communications team had a meeting with the organizing committee to discuss possible sponsorship packages and prizes for the winning papers.

- USAID/VNCI team completed the media trip in Hai Phong to present Project 30's results and a video clip on the contest finalists. The team also provided advice on the selection of private sector representatives for the final round of the awarding process.
- The Da Nang Institute for Socio-Economic Development finished a draft of their review report on residence administration AP. The draft was presented at a workshop in Da Nang city on August 29, 2012. The workshop also provided the participants with the opportunity to make further recommendations.
- ACAPR initiated the development of an ACAPR publication that presents results of the reform efforts. This publication will focus on presenting recommendations resulting from the ACAPR working groups (WGs) reviews of APs in Project 30. The publication will discuss the methods of review and results of the implementation of the recommendations. This is part of an effort to better communicate with relevant stakeholders about the real benefits of AP reform over the past few years. It should be realized that many of real benefits had not felt until recently. As of June 2012, 240 of the 366 AP recommendations developed under Project 30 had been implemented. However, to evaluate the real impact of the implementation, ACAPR has sought the insight of WGs experts, businesses and individuals. Completion of this process is expected in December 2012, in time for the 2012 year-end Vietnam Business Forum.

Regulatory Reform and Regulatory Impact Assessment (RIA)

• Training Workshops:

- **A RIA and policy-making contribution workshop for editors and reporters of Sai Gon Times in Ho Chi Minh City was held on 24 August 2012.** The newspaper is a leading news agency on covering economic policy. Over 30 participants engaged actively in the discussions during the workshop. They expressed sincere thanks for introducing them to useful policy making tools developed by RIA. After the workshop, the USAID/VNCI team received a number of requests from Sai Gon Times reporters and editors for inputs on specific issues/articles in which they plan to use the RIA approach to criticize existing and upcoming policies and regulations.
- **Training workshop for the Institute of Legal Studies (ILS) and the Office of National Assembly (ONA) was held on August 16 and 17, 2012.** The training was attended by 30 participants from various departments within the ILS and the ONA and focused on providing support to the National Assembly on legislative development. ILS is interested in further RIA training for its staff in the near future.
- **Two RIA training sessions for officials from Ministry of Finance on August 8 and 9, 2012 and August 21 and 22, 2012:** The training was well attended with a total of over 50 participants from different functional departments of MOF, including many important business impacting departments such as Custom, Tax,

Security, Price Control, etc. PERQ trainers said that these were the best performing groups that they have trained on the RIA topic to date. In general, the participants had excellent backgrounds on drafting policies and regulations. As a result, due to the excited (and sometime heated) discussions on RIA issues, the training schedule for the first program was extended beyond the original agenda. The August 21 and 22, 2012 was held in light of the very successful initial program.

- **Better Regulations:**

- **RIA for PPP on Infrastructure Development:** At the request of MPI, the regulatory reform team and PPP team are reviewing current regulations on PPPs. The objective will be to assist MPI in developing recommendations on changes to current PPP regulations to make them more enabling and thereby attracting the much needed private investment in infrastructure. The recommended changes will at the same time need to keep a balance between private and public interests. This is part of the effort to strengthen a PPP legal framework, that is facing many obstacles, including the challenges from unsolicited BT/BOT schemes that are being submitted under a very loose Decree 108. USAID/VNCI will be using RIA developed tools to facilitate discussion among MPI and other relevant stakeholders to identify the underpinning problems and develop options for adoption by government. This exercise, which is still under consideration within the MPI, once completed, will be a great illustration of how RIA can help to address a regulatory issue for economic development in Vietnam.

- **RIA outreach:**

- **Roundtable for journalists on the Role of the State in market economies:** The Roundtable was held on Tuesday 14 August 2012 in VNCI office. Over 22 journalists were presented with market principles and the role of the state. This included a discussion on the role of the state and how the state should facilitate/promote the development and operations of a market economy. The Roundtable also discussed issues related to the energy (electricity) market and the draft Law on employment.

The Provincial Competitiveness Index (PCI)

- **PCI 2012 survey:** The fourth week of August 2012 marked important milestone with responses from domestic firms passing our previous target of 7,000. The PCI - FDI survey is moving at a slower pace, reaching almost 800 completed questionnaires. In the coming two weeks, the PCI survey team will focus on improving this rate through telephone interviews.
- **PCI 2011 diagnostic workshops:**
 - **Workshop in Bac Kan on August 21, 2012:** The workshop was chaired by the Vice Director of DPI Bac Kan and funded by the IFAD's Pro-poor Partnership for Agroforestry development (3PAD) Project. This workshop, following one organized for higher level officials several months ago, was aimed at raising awareness of PCI and focusing on the importance of good governance among civil servants at the district level. However, most of 26 participants came from different line departments and were already quite familiar with PCI. Lacking the presence of highest level leaders and the participation of grass-roots officials may indicate

that the province has a limited interest in improving their PCI standing and more importantly the conditions that feed into the PCI ranking. This is further supported by their low PCI standing since the beginning. The team discussed and promoted the idea that in order to attract more investment and promote socio-economic development, Bac Kan will need to improve its business environment and the quality of local governance.

- **Workshop in Tuyen Quang on August 15, 2012:** The event was organized following the PCI workshop held on May 30, 2012 to provide Tuyen Quang's PCI task force a detailed analysis of the province's governance performance. Areas of focus recommended to the task force were transparency, time costs, pro-activity and public-private dialogue. This is also the first step to help improve capacity for the task force in drafting an action plan for the PPC and to organize future training courses to improve awareness of PCI at the grass root level.
- **Workshop in Da Nang City on August 16, 2012:** After 6 consecutive years of being in the top two of the PCI charts, Da Nang has slipped to 5th place in the latest PCI 2011 ranking. However among the five central cities, Da Nang retains its leading position in terms of economic governance. The PCI workshop, chaired by Da Nang's and VCCI's Chairmen, was to review Da Nang's investment climate and diagnose weakness in its governance areas based on the perspective of local firms. Analyses presented by the General Director of Da Nang Institute for Socio-economic Development revealed that it will be very challenging for Da Nang to regain its crown on the PCI chart. Its once top competitive areas of pro-activity, labor training, transparency are on the decline, while the metropolitan business climate seems to be undermined by corrupt officials, high informal costs, excessive constraints in access to business premises, weak business support services and low quality of labor. Reaffirming its determination to regaining its national leading position, the metropolitan Chairman emphasized the need for maintaining the momentum on reform and honestly reviewing its own problems. The replacement of poorly performing bureaucrats should strengthen the confidence of local businesses and investors and continue to promote economic development in Da Nang.
- **Workshop in Ha Giang on Aug 17, 2012:** This was Ha Giang Province's second PCI workshop over the last year. The workshop, chaired by the (Communist) Party Chief of Ha Giang, the Vice Chairman of PPC Ha Giang and Vice Chairman of VCCI Hanoi, was attended by 105 participants. The first workshop in 2011 had a great impact on the provincial leaders when they realized the value of using the PCI as a tool for measuring and assessing the Province's performance. In 2011, Ha Giang made a modest jump of 8 positions in the ranking and an increase of 4 points in the score. Continuing these efforts, the Party Chief of Ha Giang urged the provincial leaders and civil servants to improve their working efficiency and effectiveness, to better serve businesses and citizens, to enhance transparency, to reduce time costs in administrative activities and procedures, and to improve IT capacity. The Province's objective is to be among the top 20 in the PCI ranking by 2015.

- **On August 9 2012, Bac Ninh organized a meeting with the PCI team:** The purpose of the meeting was to discuss the Province's performance on the 2011 PCI report/list. The meeting was chaired by the Chairman and Vice Chairman of Bac Ninh People's Committee. Bac Ninh has made steady progress in the PCI ranking since 2006, moving from 22nd to 2nd place in the latest PCI 2011 ranking. After the PCI 2011 launch, Bac Ninh Party Branch issued Directive No. 17 on continuing to improve its business climate. Subsequently Bac Ninh People's Committee issued Plan No. 16 on the implementation of Directive No. 17. A representative of DPI Bac Ninh reported on the progress of implementation of this PCI enhancement plan. The presentation detailed the tasks assigned to respective line departments. The PCI team pointed out Bac Ninh's strong points including 3rd ranked pro-activity area, labor training (ranked 6th over 63 provinces) and time costs which ranked 8th. The PCI team also discussed challenges, including maintaining momentum for governance reform similar to other high ranked provinces such as Binh Duong and Da Nang. The potential impact of Bac Ninh's extensive efforts to attract FDI were also discussed in the workshop. The workshop also focused on the Province's continued weaknesses, such as a poor connection with local enterprises and its lack of progress in its efforts to support industries, price-transferring, social issues, etc.

In conclusion of the working session with the PCI team, the Chairman of Bac Ninh expressed great appreciation for the experts views and agreed to focus their reform actions in three areas that show increased weakness. These three areas are transparency, labor training and business development services. His set of recommendations which demonstrate a pro-active and reform minded position include, any improvements/declines in PCI sub-indices will be attributed directly to the leader of the line departments responsible for managing the given sub-index. The leaders' responsibility will not only be to direct his/her own department but also to coordinate with other departments that may have an impact on the sub-index. The responsible department will also be required to consult with the local business community on issues such as regional zoning plan and other zoning plans. There will be a clear understanding and then assessment of rewards/disciplines based on the performance of the agencies.

- **PCI outreach:** The PCI team met with the USAID-funded Sapan project based in Thailand during their study trip in Vietnam from August 27 to August 31, 2012. The objective of the trip was to explore the possibility of the development of a Provincial Governance Index in Thailand. The objective of the meetings was also is to share experiences on designing and implementing the PCI, discussing the role of different stakeholders in positioning and advocating for the PCI, as well as lessons learned and key success factors at each stage of development.
- **PCI data sharing:** At the request of DFID and as conditionally approved by USAID, the PCI team is extracting firm data from PCI six-year time series data. This data will be shared with DFID's consultants in preparation of an anti-corruption synopsis for 10 provinces in Vietnam. The collaboration with DFID as an active donor on the anti-corruption front is aimed at strengthening informed dialogues between Vietnamese government and related stakeholders on combating corruption.

Infrastructure Financing/Development via Public-Private Partnerships

PPP Project Support:

- The USAID/VNCI team continues to provide support to MPI's e-Government Procurement (e-GP) PPP efforts through the PPP Office. The team is also supporting the Project Management Unit (PMU) through the PPP Office in evaluating the financial model and reports related to e-GP that were prepared by the technical transaction advisor (Ubitec). USAID/VNCI recommended and all parties agreed that Ubitec revise their Public Sector Comparator financial model to include the value of risks to be incurred by the public sector should they undertake the project on their own. The USAID/VNCI has also requested that the financial model be redone to allow the PMU to determine the State Contribution required to make the project "bankable" under various capital investments, user tariff and demand scenarios. It is critical that the Government is fully aware of the cost of implementing the e-GP system. USAID/VNCI team with PMU clarified some comments regarding SOW for a USAID/VNCI funded legal advisor. The purpose for the clarification is to ensure smooth coordination between PMU, USAID/VNCI and technical advisor (Ubitec) on this very important potential first Decision 71 PPP transaction. The USAID/VNCI legal advisor on the e-GP project is Stanley Boots, who has extensive experience on project transactions in Vietnam. Mr. Boots may also sign a success fee based contract with the MPI following the termination of the VNCI contract.
- USAID/VNCI prepared a preliminary PPP evaluation of the feasibility of a new inter-port highway project in Dong Nai Province. The evaluation, which looks promising, is based on capital expenditure, operating and maintenance costs provided by the Dong Nai. A desk study has been completed and submitted to PPP Office and a site visit is being scheduled for September 2012. The principal objective of the site visit will be to estimate the amount of State Contribution that will be required to make the project "bankable", taking into consideration the 30% maximum State Contribution allowed under Decision 71. The State Contribution will be directly affected by the projected capital investment required (already estimated) and the projected project revenues (traffic x tolls) which cannot even be estimated at this time.
- USAID/VNCI is working with the PPP Office on better defining projects submitted by Vinh Phuc, Da Nang, Can Tho and other provinces. The USAID/VNCI team and the PPP Office are preparing for working visits to each of these provinces to assist them in identifying and prioritizing projects and preparing project proposals that will be submitted to the PPP Office and the Inter-ministerial PPP Steering Committee for approval.
- USAID/VNCI continues guiding international consultants (Asconti) for Nghi Son WWTP in preparing a Project Proposal for Thanh Hoa ASA. This proposal will be submitted to the Inter-ministerial through the PPP Office. USAID/VNCI continues to support the PPP Office in working with Asconti (ASA advisors) on developing a project proposal. Issues that remain outstanding and make the project unattractive as a Decision 71 project are that there is no contract with the anchor client (new oil refinery), low projected tariffs and a very limited Government budget to support the anticipated required State Contribution for CAPEX and OPEX.
- USAID/VNCI continues to support the Province of Da Nang through the PPP Office in managing the transaction advisors (IFC) on a urban bus system and a septic

collection and treatment project. It is anticipated that the feasibility studies will be completed and the tender documents will be issued in October.

Institutional Support:

- USAID/VNCI submitted the Draft circular on PPP project proposal guidelines to the PPP Office. We are waiting for the PPP Office comments.
- Delivered 1st training for PPP Office member focusing on financial statement and Public Sector Comparator. In the long term, it is anticipated that the PPP Office staff will become PPP trainers to the ASA. USAID/VNCI will continue to provide PPP training PPP Office staff this week. Subjects be discussed at the next training include issues related to establishing a PPP Office/Unit and project credit enhancement mechanisms.
- USAID/VNCI delivered 2nd training for PPP Office members. The training focused on defining State Contribution understanding 10 other types of project credit enhancement mechanisms needed to make a project “bankable”. In the long term, it is anticipated that the PPP Office staff will become PPP trainers to the ASAs.
- Based on discussions with representatives of the PPP Office, USAID/VNCI is expanding the draft PPP communication strategy to include details on the agreed upon specific tasks and the related budget. This expanded draft PPP communications strategy which has been submitted to senior MPI staff for review prior to moving ahead with its implementation. Issues regarding services and budget are now under discussion.
- Preparation of material for workshop that will include 15 ASAs (12 provinces/cities and 3 ministries). In spite of the postponement of the workshop, USAID/VNCI has begun to support the provinces in their PPP efforts through the PPP Office. The outcome the meetings with the ASA being scheduled for before and after the workshop with will be to create a truly viable PPP pipeline of 5 to 10 projects. The pipeline will then lead to the preparation of 2 to 4 project proposals that will form the initial work load for the PPP Project Development Fund.
- USAID/VNCI submitted the Draft PPP project identification, prioritization guidelines to the PPP Office for comment.
- International consultant (Roy Torkelson) with VNCI supporting team (Uyen Tran) and Nguyen Ha are working with MOF to implement the concrete activities for a Viet Nam Infrastructure Fund (VNFI) study. The MoF has, in theory, accepted two fund models proposed by the USAID/VNCI team. Research is underway to determine which model best meets the GoV’s requirement to promote longer term VND denominated debt, best international practices and existing Vietnam law.
- USAID/VNCI supported PPP Office in presentation material and PPP article for the 1st International Infrastructure Workshop which was organized by Vietnam Construction Association, Japan Construction Association and JICA in Hanoi on August 28, 2012
- USAID/VNCI supported the PPP Office on the PDF ODA Loan negotiations with ADB on August 29, 30 and 31, 2012. The effort also included reviewing the draft loan agreement and providing comments to the Vietnamese participants. The outcome of

the negotiations were positive and USAID/VNCI supporting the PPP Office in implementing the Project Management Manual (PAM), a condition precedent to finalizing the loan.

- Reviewed and provided comments on the proposed Infrastructure Financing Fund (IFF) structure as presented by JICA to USAID. Also participated in a USAID/JICA meeting on the IFF structure and USAID's support.

Project Management

- Having discussed within USAID/VNCI team and DAI HQ, we decide to fill the gap of Viet Anh leaving the team in late September through the allocation of several tasks that currently carried out by Viet Anh to five other senior team members, including 4 Program Managers and the Office Manager. This will ensure the continuity of different project activities, and reflect the status of the project, which is coming towards its closure in February 2012. USAID/VNCI is requesting USAID approval for this arrangement, together with the increased salaries for those who will assume new responsibilities.