

Vietnam Competitiveness Initiative (VNCI)

Workplan for Year Four

(October 1, 2006 through September 30, 2007)

Prepared by VNCI Staff for the U.S. Agency for International Development (USAID)
under contract number 493-C-00-03-00004-00

Submitted to Cognizant Technical Officer, USAID Vietnam

September 1, 2006



USAID
FROM THE AMERICAN PEOPLE

Prime Centre, 53 Quang Trung, 15th floor, No. 2, Hanoi

Table of Contents

Table of Contents.....	2
List of Acronyms.....	3
Introduction.....	4
Activities for Year Four.....	6
Intermediate Result 1: Provincial Policy Reform.....	7
Intermediate Result 2: Provincial Reform Initiatives.....	10
Intermediate Result 3: National Dialogue and Competitiveness Assessment.....	12
Management, Staffing and Budgeting.....	14
Workplan Table.....	17

List of Acronyms

ASEAN	Association of Southeast Asian Nations
ASMED	Agency for SME Development
BTA	Bilateral Trade Agreement
CIEM	Central Institute for Economic Management
DAI	Development Alternatives, Inc.
GVN	Government of Vietnam
IR	Intermediate Result
LTTA	Long Term Technical Assistance
MOF	Ministry of Finance
MOT	Ministry of Trade
MPI	Ministry of Planning and Investment
NA	National Assembly
SME	Small and Medium-sized Enterprises
PCI	Provincial Competitiveness Initiative
SOE	State-owned Enterprises
STTA	Short Term Technical Assistance
STAR	Support for Trade Acceleration Project
TAF	The Asia Foundation (principal DAI sub-contractor)
UNCTAD	United Nations Conference on Trade and Development
VCCI	Vietnam Chamber of Commerce and Industry
VNCI	Vietnam Competitiveness Initiative
WEF	World Economic Forum

INTRODUCTION

The Vietnam Competitiveness Initiative (VNCI) is a USAID economic growth project working to increase the competitiveness of SMEs in Vietnam. While the project's three-year base-period will end on September 30, 2006, USAID has committed, subject to funding availability, to extend the project for two years until September 2008, pursuant to the terms of the contract. VNCI is managed by Development Alternatives, Inc. (DAI). For administrative and contractual purposes, during the extension period, the will be organized into three intermediate results (IRs) with strong cross-linkages: Provincial Policy Reform; Provincial Reform Initiatives; and National Dialogue and Competitiveness Assessment. The Asia Foundation is the sub-contractor for the first IR.

VNCI was designed to work with Vietnamese leaders in the public and private sector to assist promising industries to take advantage of new markets, improve Vietnam's business climate, attract investment, and ultimately, generate growth, jobs, and prosperity. In the extension period, the project will be driven by the central themes of improving provincial economic governance for SME competitiveness and enhancing the national dialogue on economic governance. Its work will be highly focused and integrated, building off the success of its previous work, particularly the Provincial Competitiveness Index (PCI). Leveraging the PCI, VNCI will seek to raise awareness, improve understanding, assist with reform to improve provincial economic governance, and develop a national competitiveness assessment. This will allow VNCI to continue to critically contribute to economic and governance reforms in Vietnam through (1) providing a more systematic understanding and benchmarking of provincial economic governance; (2) providing the opportunity for the voice of the domestic private sector to enter the policy debate at national and provincial levels; and (3) providing provinces with specific knowledge and technical support to implement concrete reforms. In its first three years, VNCI has done (1) and (2). In Years Four and Five, VNCI will build on and deepen the work in these areas while broadening its scope to assist provinces develop specific recommendations and action plans for regulatory reforms.

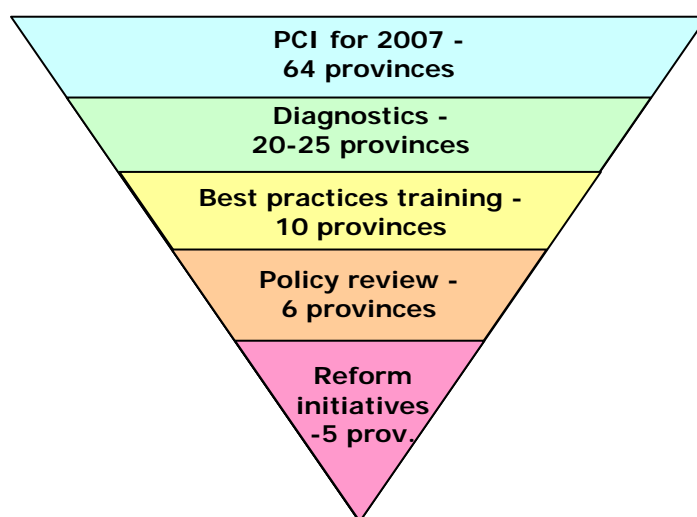
This focus on provincial economic governance is very timely. During the past few years Vietnam has seen considerable market-oriented reforms at the national level, such as the new Enterprise and Investment Laws, the Bankruptcy Law, the Competition Law and the Commercial Law, to name a few. However the current challenge is in implementing these reforms at the provincial level. Moreover, with Vietnam at the threshold of WTO accession, there is increased pressure to improve economic governance, particularly at the provincial level.

Better economic governance translates into improved SME competitiveness and a higher rate of economic growth. Improved treatment of small business by provincial officials leads to greater investment, more jobs and higher incomes as the PCI has demonstrated. The private sector, in particular small private businesses, is now the primary driver of economic advancement in Vietnam. The PCI has motivated reforms in the regions and helped make private sector development broad-based and not concentrated in just major cities.

Building off the success of the PCI, VNCI will engage provinces in a number of activities – described in detail below – that will analyze in-depth the regulatory environment and make

recommendations for reforms. While some of these activities will be more general in nature, for example, the diagnostic workshops, and can be done in a larger number provinces, some activities, for example, the provincial reform initiatives, will be more in-depth, requiring a longer-term engagement with a province, and can be carried out in a smaller number of provinces. This approach is best illustrated by the “PCI Pyramid.”

“The PCI Pyramid”



The PCI involves all 64 provinces. Following the release of the PCI, VNCI will – over the two-year extension period – conduct diagnostics in 20-25 provinces; VNCI will carry out more in-depth best practice training in 10 provinces; and, in 6 provinces, go behind the PCI data to carefully analyze why some provinces perform well in some PCI sub-indices. Finally, VNCI will conduct careful, comprehensive analyses and develop recommendations for reform and action plans for implementation in 6 provinces.

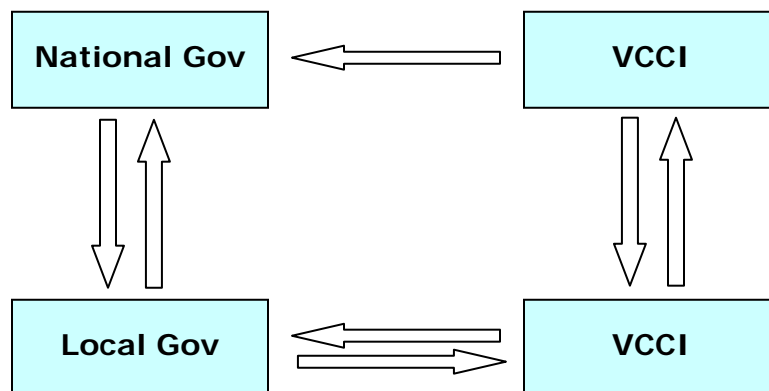
The focus on national dialogue and competitiveness also is timely. Some national level policies and regulations (or lack of effective policies and regulations) impair the ability of provinces to create a business enabling environment, and hampers national competitiveness. Since provinces are charged with implementing national level law and policy, there are limitations on what they can do to improve economic governance at the local level. Through the development of local-national dialogues, these constraints can be identified and possible solutions formulated, leading to changes in national policy and regulations.

In addition to working to establish regular national-local dialogues, VNCI will develop and publish a National Competitiveness Assessment (NCA) in Year Four. The NCA will provide a picture of the main factors that affect Vietnam’s competitiveness vis-à-vis its regional neighbors. The NCA will build on existing research and reports on competitiveness and be based on data from a number of internationally recognized trade databases. The NCA will be designed to inform the regular national-local dialogues and be the beginning of a national competitiveness

strategy. To ensure local ownership and official “buy-in” for both the dialogues and the NCA, VNCI will work closely with our counterparts in their development.

The objective of both the dialogues and the NCA is to improve the flow of information between the local level and national level, - on both the government side and the business side. Through VNCI’s work with provinces, we will be able to identify issues and constraints experienced by provincial governments as they implement national laws and regulations and by businesses as those national laws and regulations are applied to them. These issues and constraints can then be communicated to the national government – and national level business associations – through the dialogues and the NCA. VNCI will work with other donor-funded projects, especially the USAID-funded STAR-Vietnam project, which works at the national level, to enhance the effective exchange of information and ideas for solutions to issues and constraints caused by national policies (laws and regulations), or the lack thereof.

The enhanced flow of information that VNCI will work to achieve via the activities outlined above (and discussed in detail below) can be illustrated as follows. The arrows indicate ways that VNCI, working with various partners, can work to improve the exchange of ideas and information.



ACTIVITIES FOR YEAR FOUR

Overview of Activities in Year Four

In Year Four, VNCI will build upon and extend the PCI 2006 with a focus in the following key areas:

1. Building a better understanding the best and worst provincial governance practices behind the PCI scores and rankings;
2. Using this information to undertake best practice training to assist select provinces improve their PCI scores;
3. Building a stronger constituency for the PCI across a range of key stakeholders such as the media, academia, national government, etc.;

4. Analyze existing economic governance frameworks and practices in select provinces and developing recommendations for reform;
5. Relating problems in provincial economic governance to national policies and regulations by identifying issues that can be addressed only at the national level; and
6. Developing a National Competitiveness Assessment.

Intermediate Result 1: Provincial Policy Reform

The Provincial Policy Reform component of VNCI seeks to promote better economic governance at the sub-national level through application and extension of the Provincial Competitiveness Index (PCI). The PCI, which assesses and ranks provinces by the regulatory environments for private sector development, is now well known in Vietnam. The first PCI was developed and disseminated with much publicity in 2005, including being named one of the top ten economic events in Vietnam that year. In 2006, the PCI was expanded to all 64 provinces and attracted even more attention. Responding to the immediate and relentless demand from provincial governments to better understand their individual rankings, VNCI developed its PCI diagnostic tool. This diagnostic tool analyzes the underlying PCI data for each province to identify strengths and weaknesses, which are then presented to a gathering of provincial and business leaders.

In Year Four VNCI will undertake another PCI and continue with the diagnostic workshops. In addition, VNCI will extend its engagement with the provinces to include the delivery of a PCI-focused training program on best practices in provincial economic governance (as described below in this IR) and also a number of implementation initiatives undertaken with select provinces (as described in IR 2). As well as working with provinces, other initiatives will be undertaken to build a constituency for the PCI within the media, the donor community, academia, the national government and the business community.

IR 1.1: Promoting Good Economic Governance through the PCI

The PCI and related diagnostics will be repeated in Year Four due to the tremendous response by business, provinces, media and donors in 2005 and 2006 and the importance of capturing time series data for monitoring and evaluation purposes. This third iteration of the index builds upon and cements the methodological improvements and simplifications made to the PCI in 2005 and 2006 and allows additional analysis of provincial performance over time.

The PCI in Year Four (“PCI 2007”), as per the 2006 PCI, will cover every province in Vietnam. As there were substantial changes to the indicators and sub-indices in the 2006 PCI, we expect only minimal changes in 2007.

To continue the process of ensuring local ownership, and hence sustainability, of the PCI, VNCI experts will provide training on PCI methodology for VCCI counterparts. VCCI will take the lead role in constructing the PCI with assistance from VNCI staff and consultants. As per the previous years, the third PCI will be released at a major workshop, just prior to the June Vietnam Business Forum and disseminated widely in the media.

The dynamic economic environment in Vietnam, particularly at the local level will mandate regular reviews of the PCI methodology and occasional updates, for which VCCI will be trained to do.

IR 1.2: Improved Understanding of Good Provincial Economic Governance

For the PCI to better drive governance reforms, provincial officials need to understand the factors behind provincial scores and how to ultimately improve those scores. As in previous years, and in response to the demand from provinces for better understanding of PCI results, VNCI will work closely with provincial officials to identify their respective strengths and weaknesses in economic governance. More specifically, VNCI initiatives in this area will help provincial governments understand what specific actions they can take to improve their economic governance, and hence provincial rankings in subsequent iterations of the PCI.

Task 1: PCI Diagnostics – Analysis of Strengths and Weaknesses of Individual Provinces

In Year Four, VNCI will continue its series of PCI diagnostics and related workshops. At the invitation of the provincial authorities (usually the Peoples Committee, the Party Secretary or the DPI), VNCI and its partners will perform a detailed analysis of that province’s performance in the PCI and then present and discuss that analysis with the provincial leadership. The VNCI team then finishes with recommendations for action moving forward, reflecting particular weaknesses identified through the diagnostic. In year Four, VNCI will also significantly upgrade the “PCI Provincial Profiles” website, which is being piloted in Year Three, to provide much of the diagnostic information on-line and available to the community at large.

Task 2: “Best Practice” Training in Economic Governance

An important lesson from VNCI’s earlier PCI diagnostic work is that provincial officials would like more assistance in understanding how to improve economic governance (and therefore PCI rankings) beyond that provided through the diagnostic workshops. The diagnostic workshops are typically only half-day events and in that time VNCI can only provide general, not specific directions for reform. In response to provincial requests for more detailed understanding and recommendations on policy reforms, VNCI will complete its training manual on “best practice” economic governance, and design and conduct multiple deliveries of a comprehensive training course on this subject.

The manual and training course will comprise a series of modules, each with a brief explanation of best provincial practice in key areas of economic governance. The module will be distilled from earlier VNCI policy studies (such as the business regulation reform, policy lending and one-stop shop business registration studies) as well as other reports, but presented in an accessible easy to understand manner. Each module will link directly to one or more of the PCI sub-indices, and provincial officials attending the multi-day training course will take away a clear set of ideas and recommendations as to how they can improve their respective province’s performance in these sub-indices.

The training course will build upon VNCI's earlier policy analyses. Much of the required material has already been produced by VNCI and others in the form of reports. However, few, if any, provincial officials have the time, inclination and, perhaps, the capacity to read and digest these reports and then translate their acquired knowledge into actions for reform. The training would transfer key principles of best practice in provincial economic governance to local officials in a fun, engaging and participative manner. This will include use of an easy to understand manual, brief lectures using non-technical language, and break-out group discussion and exercises such as role playing.

Task 3: Building a better understanding of PCI provincial performance

A parallel activity that will strengthen VNCI's efforts to spread best provincial governance practices in Vietnam is an initiative to carry out on-ground research on PCI performance of select provinces. This activity seeks to explain why some provinces do very well, or very poorly on particular PCI sub-indices (such as transparency, costs of regulatory compliance, entry costs etc), and, more importantly, what best - on indeed worst - practices can be learnt from these provinces and applied elsewhere in Vietnam. This information will be fed back into the best-practice training and the diagnostics (described above). It will also greatly improve our understanding of the PCI results, shedding light, for example, on why some relatively unknown provinces consistently perform well in the PCI (e.g., Vinh Long, Binh Dinh, etc.) or why neighboring provinces with mainly similar endowments (such as Lai Cai and Lai Chau) can score very differently in the PCI.

IR 1.3: Building a constituency for the PCI

Another important objective of VNCI in years four and five is to look beyond provincial application of the PCI and to build a constituency for the PCI across a broad range of other stakeholders, such as the media, the donor community, academia, the national government and the business community.

Task 1: Building a constituency for the PCI within the media

To build upon and extend VNCI's existing strong relationship with the media, VNCI will undertake a series of media training workshops for select journalists on PCI method, results and basic analysis using PCI data. This will help improve the quality, and, possibly, the quantity of PCI reporting in the media. To strengthen the media coverage of the PCI VNCI staff and consultants will also generate a series of high-quality op-ed pieces for both international and national press.

Task 2: Building a constituency for the PCI within the donor community

In Year Four, VNCI will continue to work closely with donors. This will include frequent liaison with donors to assist mainstreaming the PCI into their provincial work-plans (such as using the PCI to perform baseline analysis or to undertake monitoring and evaluation activities). Other activities to be carried out in cooperation with donors include provincial diagnostics and possibly the delivery of PCI best practice training (as described above). In Year Four, a major study will

be carried out to explore linkages between the PCI and another donor activity, most likely an analysis of linkages between the IFC Doing Business study and the PCI

Task 3: Building a constituency for the PCI within the National Government

For the first three years of the project, VNCI's PCI-focused interaction with government officials has only been at the provincial level. In Year Four VNCI will seek to rectify this imbalance by using the PCI to undertake important analyses and advocacy on important national policy issues impacting private sector development. This analysis will strengthen and feed directly into a number of the activities described below in IR 3 "National Dialogue and Competitiveness Assessment." Also working at the national level, pending available resources and counterpart commitment, VNCI will work to train select National Assembly Deputies on the PCI method and the results for their respective provinces.

Task 4: Building a constituency for the PCI within academia

To promote widespread use of the PCI, VNCI will also be exploring a number of channels to ensure a growing cadre of young PCI-literate professionals in universities, government and the donor community. To this end VNCI will develop the foundations of a PCI based post-graduate university course covering public policy, research methods and applied statistics, and will coordinate with various universities in an effort to get this course included as part of the post-graduate curriculum. To immediately encourage students to use the PCI, VNCI will hold a PCI essay competition in Year Four, whereby post-graduate students can submit essays/theses based on analyses of PCI data, to VNCI for assessment and awarding of prizes.

In order to promote use of the PCI data within the community academic researchers, VNCI will develop and information pack, containing a CD-Rom of the PCI data and various reports on methodology. In addition to this VNCI will explore, in cooperation with other partners, holding an international symposium in Hanoi or Ho Chi Minh City in Year Four where academics from Vietnam and abroad who use the PCI data can present their findings of their research on provincial governance issues in Vietnam

Task 5: Building a constituency for the PCI within the business community

In Year Four VNCI will also work closely with a number of business associations – both foreign and local - to ensure their leadership and select members have a better understanding of the PCI methods and results. This will be done through a series of training workshops.

Intermediary Result 2: Provincial Policy Review and Reform

The primary objective of VNCI is to improve the environment for small and medium sized enterprises (SMEs) in Vietnam. Establishing a business enabling environment in the provinces is critical to the health and growth of SMEs in Vietnam and their ability to compete in the domestic market (against state-owned enterprises and foreign businesses) as well as globally. The PCI, the PCI diagnostics and the best practices training outlined in IR 1 above, will help a large number

of provinces identify current policies and practices that constrain businesses, as well as the policies and practices found in Vietnam that are most conducive to doing business.

The diagnostics and best practice training are not designed to work in depth with provinces over a prolonged period. Building on the PCI, diagnostics, and best practice training, the logical next step to improved provincial economic governance is for provinces to carefully assess the current regulatory environment for businesses and to develop recommendations for policy reform along with an action plan for implementation of reforms. In Year Four, VNCI will work closely with a select number of provinces that meet certain criteria to carry out such an assessment and develop recommendations and action plans for reform. Particular provinces and specific activities will be determined based on in-depth discussions with provincial leaders of the needs and requirements of each province.

IR 2.1: Selection of provinces – combining demand with objective selection criteria

In Year Four VNCI will focus its policy review and reform recommendation activities in two to four provinces. VNCI intends to be “demand-driven” in the selection of target provinces, meaning VNCI will encourage provinces to request VNCI to engage in reform activities in partnership with the province’s leadership. Selection of provinces among those that request technical assistance from VNCI will be based on the following criteria:

- capacity and willingness to work with VNCI,
- position on PCI 2006,
- assistance from other donors,
- location/distance/logistics,
- other relevant criteria.

Ideally, the selected provinces will already have been exposed to the PCI purpose and methodology, and the province’s result in PCI 2006 via one or more diagnostic workshops conducted in Year Three or Year Four. The selected provinces may also have received technical assistance regarding best practices in provincial economic governance, as outlined in IR 1 above.

IR 2.2: Improving the regulatory environment in selected provinces – assessment, recommendations, and action plan

VNCI will work in close collaboration with the leadership of the selected provinces and the local business community to assess the existing regulatory environment for businesses. VNCI will conduct regulatory reviews of major procedures and regulations affecting business to ensure that those procedures and regulations are in the public interest, and that their costs of implementation, enforcement and administration do not exceed their benefits. Put simply, this review process will identify unnecessary burdensome procedures and regulations and put forward clear recommendations for institutional and regulatory reform. The assessment will be carried out by VNCI staff and local consultants/experts, and will involve a series of meetings and workshops held over several months with local leaders and businesses. It is expected that a VNCI staff will be the primary liaison for each province making it easier for local leaders and businesspeople to contact and coordinate with VNCI staff and experts. Each VNCI staff will also be expected to

develop subject matter expertise in one or more areas of provincial economic governance (for example, transparency, licensing procedures, business registration procedures, etc.) and to share that subject matter expertise across all program provinces.

Based on the results of the assessment of the existing regulatory environment, VNCI will work closely with local leaders to develop recommendations for regulatory reform and an action plan for implementation. Recommendations for reform could include streamlining procedures for processing business registration and license applications; making all provincial plans, regulations, forms, etc., publicly available on a web site; enabling filing of applications and forms on-line; etc. Another type of recommendations could involve providing training to local officials and businesses on recent changes to national laws and regulations that directly impact rights and obligations of businesses, or hiring an out-side private company to act as the first point of contact for businesses seeking information about/from the province.

As the reform recommendations and the action plan are being developed, VNCI, together with local officials, will hold public workshops to create awareness of the proposed reforms and a participatory environment ensuring input from all relevant stakeholders.

Intermediary Result 3: National Dialogue and Competitiveness Assessment

Many issues in economic governance cannot be resolved at the provincial level, but must be addressed through a national-local dialogue that identifies and raises awareness of these issues and builds a common understanding of how to take action resolve them. These impediments to good economic governance impair the competitive stance of the country and the ability of provinces to create a business enabling environment that enhances the competitiveness of businesses. In the extension period, VNCI will work closely with national and local leaders to identify these issues and establish a national-local forum where the issues can be discussed, and – hopefully – resolved. VNCI also will develop a National Competitiveness Assessment (NCA), which will provide a picture of the main factors affecting Vietnam’s competitiveness and form the beginning of a national competitiveness strategy, and will support a sustainable forum for discussion of problems in economic governance and competitiveness. VNCI will work closely with MPI/ASMED, our primary counterpart, in the development of the dialogues and NCA to ensure local ownership and official “buy-in.”

IR 3.1: National-local dialogue on impediments to good economic governance

Most problems in economic governance can (and should) be solved at the provincial level. But, there are some issues that even the most reform minded province cannot overcome single handedly. Some of these issues have come to light in the PCI 2006, for example the pervasive and consistent low ranks for legal institutions, and problems in most provinces regarding obtaining land and having security in the tenure of land use rights (LURs). Other problems are due to the lack of a comprehensive national legal framework for important issues, for example, a legal framework for sub-sovereign revenue bonds, or to issuance of laws and regulations that are difficult (or, sometimes, impossible) to implement at the provincial level. Yet other examples of problems that cannot be resolved at the local level include the lack of a national business registry

and the lack of a national LUR registry and a registry of secured interests in moveable assets (machinery/equipment and certain intangible property). The lack of such national registries makes it difficult for businesses to obtain credit and capital to invest in their businesses.

VNCI, working closely with national and local leaders, as well as businesses and business associations, will identify the most pressing of these issues, and will help relate the problems in provincial economic governance to national policies and regulations (or lack thereof) that can be addressed only through coordination between national- and provincial-level agencies. In order to identify these issues, VNCI will conduct research and support quarterly national-local dialogues where national and provincial officials can explore and develop a better understanding of issues and problems in economic governance to build consensus on how to address the issues. VNCI also will support regular public outreach workshops to gather input from the public and the business community on the issues that have been identified. VNCI will work with donors and donor-funded projects, especially the STAR-Vietnam project, in identifying these issues and in crafting implementation solutions.

As issues and problems are identified through the research and dialogues and a consensus emerges as to how to address them, VNCI will support activities to implement selected solutions. Particular solutions will depend on the nature of the issue or problem, and could include conducting assessments of existing legal framework – or lack thereof – for a particular issue, the need to provide clarification on laws and regulations, etc.

IR 3.2: National Competitiveness Assessment

To shed light on how national policies and regulations (or the absence of the right kind of policies and regulations) are impairing the competitiveness of businesses, VNCI will undertake a comprehensive assessment of Vietnam's competitiveness – a National Competitiveness Assessment (NCA). In this assessment VNCI will be guided by a common definition of competitiveness as the country's ability to improve living standards through increased productivity to reach higher growth in revenue and jobs. VNCI will examine the main determinants of country competitiveness, including trade policy and patterns, business and investment climate, technology and innovation policy, market channels, quality assurance infrastructure, workforce development, and financial intermediation. The assessment will analyze the market architecture of the country including defining the rules of the game, the institutions and the infrastructure – all of which can help or hurt companies' competitiveness. In the analysis VNCI will benchmark Vietnam's competitive position against its main competitors in international markets, identify areas of competitive advantage and potential opportunities, and recommend strategies to improve its competitiveness.

In preparation for the NCA, VNCI will review existing relevant research, including the WEF Global Competitiveness report, the World Bank Doing Business 2006 report, and will meet with sources of existing research, and organize key data and methods for analysis. VNCI will use various consulting and economic analysis tools to provide insights into Vietnam's competitive position, including the Global Trade Atlas, which provides monthly updates of worldwide trade statistics, as well as trade data from other sources, such as ASEAN, UNCTAD and the International Trade Center, to develop trade analysis and bubble charts graphing market growth

against market share for industries in various markets, investment climate analysis, and Rader Graphs comparing the investment climate in Vietnam to a grouping of benchmark countries, and input-output analysis providing insights on what happens to employment when certain sectors grow. The final NCA will be released at a public event in June. At all stages of the development of the NCA, VNCI will work closely with relevant stakeholders, in particular MPI/ASMED and other government agencies, to increase awareness and understanding of the critical importance of competitiveness to further economic development and growth.

IR 3.3: Establish forum for continued national-local dialogue on constraints to good economic governance and competitiveness

The activities undertaken to establish the national-local dialogues and NCA are intended to result in the establishment of a sustainable forum for continued dialogue on constraints to good economic governance and competitiveness issues, including the development of a national competitiveness strategy. It is expected that the forum will be established in Year Five of VNCI.

This will be done in close cooperation with relevant stakeholders, in particular MPI. MPI would take lead and, eventually, assume the chair of the forum. Other possible national-level stakeholders could include the ministries of Finance, Justice, Science and Technology, and Natural Resources and the Environment, and other state agencies, such as the Office of the Government and State Bank. Provincial-level leaders also would be key stakeholders in process of developing the forum. Opinions and ideas will be solicited from all stakeholders to assess the need for a forum and to ensure that the forum will meet the needs and demands of all stakeholders. As a consensus develops, VNCI will support the development of a specific action plan for the establishment of the forum. The organization of the forum could include taskforces on specific issues, such as taxation, legislation, land, and business registration, with participation by officials from relevant national and local authorities.

Ideally, the first meeting of the forum will take place before the mid-year Vietnam Business Forum in June 2008. The forum, timed to complement the PCI 2007 and the NCA, both of which are planned to be released in 2007, will review outstanding issues and develop action plans to address economic governance constraints that local governments require coordination between local and national authorities. The forum will be organized and chaired by the MPI with participants from relevant ministries and provincial authorities.

MANAGEMENT, STAFFING AND BUDGETING

Year Four of VNCI will see two major changes in administration and staffing. First, Robert Webster resigned as VNCI's Chief of Party (COP) effective June 30, 2006, with Ms. Helle R. Weeke taking over the COP responsibilities as of July 1, 2006. Second, the Ho Chi Minh City project office will be closed effective September 30, 2006.

Helle R. Weeke assumed the role of **Project Director/Chief of Party** on July 1, 2006, and will continue to lead the VNCI team in Year Four. She will be responsible for all programming and technical decisions, including budget resource allocation, staffing, etc. She will maintain a close

working relationship with the USAID CTO, Mr. David Brunell, and be the direct point of contact for the senior government and private sector officials.

David Ray will continue as **Deputy Project Director**. Reporting to the Project Director, he will have technical leadership of The Asia Foundation (TAF) implemented elements of VNCI, namely the Provincial Policy Reform program as described above in IR1. This will include management of the PCI, the PCI diagnostics/best-practice training and various activities to build a constituency for the PCI. It will also include direct supervision of TAF staff employed on the VNCI project.

Doan Tien Giang will continue as **Deputy Chief of Party** and will, in addition to supporting the COP on management and administrative matters, lead VNCI's technical work on developing the national-local dialogues and the National Competitiveness Assessment. He also will be actively involved in the project's work to improve provincial economic governance.

Staffing

Position	Name	Start Date	Employer
Project Director/Chief of Party	Helle R. Weeke	July-06	DAI
Deputy Project Director	David Ray	Oct-03	TAF
Deputy Chief of Party	Doan Tien Giang	Feb-04	DAI
Program Manager (Provincial Reform Initiatives)	TBD		DAI
Program Officer	Nguyen Viet Anh	Jun-04	DAI
Program Officer	Nguyen Phuong Thao	Apr-04	DAI
Research Officer	Do Le Thu Ngoc	Aug-06	TAF
Program Officer	TBD		TAF
Program Officer	TBD		TAF
Project Accountant	Trinh Hong Hanh	Aug-04	DAI
Administrative Assistant/ Receptionist	Bui Thu Trang	June-06	DAI

Closing of Ho Chi Minh City Office

The change in focus of VNCI for Years Four and Five towards provincial policy reform and national competitiveness work and away from industry/value-chain activities makes it unnecessary to maintain a separate office in Ho Chi Minh City, and VNCI is actively preparing to close that office effective as of September 30, 2006. With the exception of one employee, staff in the HCMC office have been advised of this change and given several months' notice and time to prepare. Salary and severance compensation will be paid according to law and the

employment contracts. The landlord has been given notice of termination of the lease agreement, and has provided written acceptance of that notice.¹

Ms. Thao, a Program Officer in the HCMC office, will continue to work for VNCI in Years Four and Five. A remote office will be established at her home when the VNCI office is closed. Ms. Thao is currently on maternity leave, but will return to work on a part-time basis for four months beginning on July 15, 2006. The closing of the HCMC office should not have any adverse effect on VNCI's ability to operate effectively in the South of Vietnam. All program activities in that part of the country will be covered by Ms. Thao Nguyen (who will be based in HCMC) and Hanoi-based VNCI staff via remote interaction and travel in the region. It is expected that the closing of the HCMC office will result in a significant reduction of administrative costs and increase monies available for program activities in Years Four and Five.

Project Budgeting

Category	Budget	Spent to Date Oct 03-Jun 06	Jul-Sept 06 Projected	Year Four Projected	Year Five Projected	Total
Labor/Personnel	\$734,364	\$658,537	\$57,758	\$223,407	\$241,051	\$1,190,753
Travel & transportation	\$281,033	\$288,444	\$27,793	\$68,079	\$82,804	\$467,120
Allowances	\$195,486	\$159,541	\$47,270	\$71,560	\$105,126	\$383,496
Program support costs	\$649,451	\$583,450	\$93,749	\$254,872	\$288,079	\$1,220,149
Subcontractors	\$2,299,709	\$1,813,579	\$416,305	\$820,086	\$820,086	\$3,870,055
Procurement	\$99,758	\$95,830	\$2,450	\$3,250	\$750	\$102,280
Fringe	\$208,404	\$416,037	\$18,616	\$52,903	\$53,918	\$541,473
Overhead	\$465,108	\$190,221	\$39,867	\$123,876	\$127,116	\$481,081
G&A	\$418,014	\$366,589	\$64,046	\$148,151	\$156,423	\$735,209
Fixed fee	\$290,740	\$241,283	\$49,457	\$98,978	\$100,179	\$489,897
Total Project Cost						\$9,481,512

¹ DAI will maintain a Representative Office in Ho Chi Minh City after the closing of the HCMC VNCI office.

Work Plan – Year Four

IR 1.1 Promoting awareness through the Provincial Competitiveness Index

Tasks	Start Date	End Date	Outputs	Anticipated Partner(s)	Resources Req'd
Task 1: Develop the 2007 Provincial Competitiveness Index					
Activity 1.1 Carry out research and collection of all hard and soft data required to construct the 2006 PCI	Oct-06	Apr-07	<ul style="list-style-type: none"> ▪ Surveys carried out to collect soft data ▪ Collection of available hard data ▪ Integration 'cleaning' of hard and soft data into dataset 	VCCI	LTTA STTA expat STTA local
Activity 1.2 Process data to construct sub-indices and final PCI	Apr-06	May-07	<ul style="list-style-type: none"> ▪ Update methodology ▪ Construct sub-indices ▪ Aggregate sub-indices into final using weighting and/or other techniques 	VCCI	LTTA STTA expat
Task 2: Disseminate the 2007 Provincial Competitiveness Index					
Activity 2.1 Roll-out of PCI	May-07	July-07	<ul style="list-style-type: none"> ▪ Major seminar ▪ Development and dissemination of summary report ▪ Presentation at other workshops 	VCCI Saigon Times	LTTA STTA
Activity 2.2 Development and dissemination of final PCI report	Jun-07	Oct-07	<ul style="list-style-type: none"> ▪ Major report summarizing key elements of methodology and results of PCI 2007, and impact of PCI 2006 		LTTA STTA

IR 1.2 Building understanding of the importance of good economic governance at the local level

Tasks	Start Date	End Date	Outputs	Anticipated Partner(s)	Resources Req'd
Task 1: Provincial Diagnostics – Analysis of Individual Provinces' strengths and weaknesses using PCI data					
Activity 1.1 Provincial Diagnostics	Oct-06	Jan-07	<ul style="list-style-type: none"> ▪ Analysis of the PCI performance of at least 5 provinces ▪ Presentations of analysis at provincial level 	VCCI Other donors	LTTA STTA

Tasks	Start Date	End Date	Outputs	Anticipated Partner(s)	Resources Req'd
Activity 1.2 Provincial Diagnostics	Feb-07	Sep-07	<ul style="list-style-type: none"> ▪ Analysis of the PCI performance of at least 5 provinces ▪ Presentations of analysis at provincial level 	VCCI Other donors	LTТА STТА
Task 2: PCI training on best practice in provincial economic governance					
Activity 2.1 Development of the Training Manual on best-practices for provincial officials	Oct-06	Jan-07	<ul style="list-style-type: none"> ▪ Further develop/refine draft training manual as developed in 2006 		LTТА STТА
Activity 2.2 Pilot training course and training of trainers	Oct-06	Dec-07	<ul style="list-style-type: none"> ▪ Train trainers in delivery of course ▪ Undertake pilot training course 	VCCI Local consultants	LTТА STТА
Activity 2.3 Roll out of training course across 4 target provinces	Feb-07	May-07	<ul style="list-style-type: none"> ▪ Four courses spanning 2-3 days with instruction, questions, group exercises and role playing 	VCCI Various local consultants	LTТА STТА
Activity 2.4 Roll out of training course across an additional 5 provinces	June-07	Sep-07	<ul style="list-style-type: none"> ▪ Five courses spanning 2-3 days with instruction, questions, group exercises and role playing 	VCCI Various local consultants	LTТА STТА
Task 3: Building a better understanding of PCI performance in select provinces					
Activity 3.1 Undertake in-depth analysis of PCI performance in select province(s)	Oct-07	Mar-08	<ul style="list-style-type: none"> ▪ Study analyzing particular sub-indices performance in a select group of provinces 	VCCI Various local consultants	LTТА STТА
Activity 3.2 Undertake in-depth analysis of PCI performance in select province(s)	Jan-08	Jun-08	<ul style="list-style-type: none"> ▪ Study analyzing particular sub-indices performance in a select group of provinces 	VCCI Various local consultants	LTТА STТА

IR 1.3 Building a constituency for the PCI

Tasks	Start Date	End Date	Outputs	Anticipated Partner(s)	Resources Req'd
Task 1: Building a constituency for the PCI in the media					
Activity 1.1 Undertake media training for select journalists	Oct-07	Dec-07	<ul style="list-style-type: none"> ▪ 3 training workshops on PCI methodology and approach. 	VCCI	LTТА

Tasks	Start Date	End Date	Outputs	Anticipated Partner(s)	Resources Req'd
Activity 1.2 Production of various Op-ed pieces for publication in English and Vietnamese language press	Oct-07	Mar-08	<ul style="list-style-type: none"> At least 3 op-ed pieces 	Various media	LTTA STTA
Task 2: Building a constituency for the PCI in the donor community					
Activity 2.1 Various coordination meetings to update donors on PCI developments, get their input on PCI methodology and to inform them of programming opportunities using the PCI data	Oct-06	Mar-07	<ul style="list-style-type: none"> At least 2 donor coordination meetings 	Various media	LTTA
Activity 2.2 Carry out provincial diagnostic in close cooperation with donors such as GTZ, MPDF, EU etc	Oct-06	Dec-07	<ul style="list-style-type: none"> At least 4 diagnostics in cooperation with other donors 	VCCI Various donors	LTTA STTA
Activity 2.3 Major study to develop linkage with other donor program	Feb-07	June-07	<ul style="list-style-type: none"> Major study – yet to be determined, but likely to focus on linking the PCI with the IFC's doing business study 	Select donor	LTTA
Task 3: Building a constituency for the PCI in the National government					
Activity 3.1 Study using the PCI for national policy purposes	Nov-06	Sep-07	<ul style="list-style-type: none"> Major study using PCI data – yet to be determined. A possibility is an analysis on the impact of Decree 90/2001 on SME promotion, working with ASMED, MPI 	Central Government Agency	LTTA STTA
Activity 3.2 Training programs to educate national officials on PCI methodology and results	Nov-06	Mar-07	<ul style="list-style-type: none"> At least 3 training workshops for national officials, including National Assembly Deputies 	Central Government Agency	LTTA STTA
Task 4: Building a constituency for the PCI in Academia					
Activity 4.1 Development of a PCI course for universities	Oct-06	Sep-07	<ul style="list-style-type: none"> Development of a basic curriculum and, assuming sufficient resources, detailed course materials 	Select university	LTTA STTA
Activity 4.2 Development and dissemination of an information pack for academics in Vietnam and in select countries.	Oct-06	Jan-07	<ul style="list-style-type: none"> Information pack, containing research guide, data on CDs, various reports and covering letter Dissemination to select academics 	Select university	LTTA STTA
Activity 4.3 Competition for best essay using PCI data	Dec-06	Sep-07	<ul style="list-style-type: none"> Competition open to any student studying economics at a Vietnamese University 	Various universities	LTTA
Activity 4.4 International symposium on research using PCI data	Oct-07	Sep-07	<ul style="list-style-type: none"> Symposium held in Hanoi in August 2007 focusing on academic research using the PCI data. Presentations by select local and international academics and post-graduate students 	Various researchers and scholars	LTTA
Building a constituency for the PCI in the business community					

Tasks	Start Date	End Date	Outputs	Anticipated Partner(s)	Resources Req'd
Activity 4.5 Various training workshops for business association on PCI method and results	Oct-06	Mar-07	<ul style="list-style-type: none"> ▪ At least 3 training workshops 	Various business associations	LTTA STTA

IR 2 Provincial Reform Initiatives

Tasks	Start Date	End Date	Outputs	Anticipated Partner(s)	Resources Req'd
Task 1: Selection of provinces to receive VNCI assistance to improve economic governance					
Activity 1.1. Using a defined set of criteria, combined with requests from provincial governments, select 2 to 4 provinces to receive VNCI assistance	Oct-06	Dec-06	<ul style="list-style-type: none"> ▪ Definition of selection criteria ▪ Match selection criteria to requests for assistance ▪ Selection of 2 to 4 provinces 	Provincial authorities	LTTA Local consultants
Task 2: Development of assessment of selected provinces, recommendations for reform and action plan for implementation					
Activity 2.1 Research and analysis on the current regulatory environment in the 2 to 4 selected provinces	Oct-06	Jan-07	<p>In the selected provinces, carry out a comprehensive assessment on the regulatory environment and procedures applied to SMEs, including:</p> <ul style="list-style-type: none"> ▪ Assessment of resources and capabilities ▪ Mapping out the regulatory process for key licenses/procedures ▪ Setting out benchmarking indicators to capture performance indicators ▪ Legal analysis of procedures/licensing requirements ▪ Economic analysis of the costs/benefits of simplified procedures/licenses 	Provincial authorities	LTTA Local consultants
Activity 2.2 Build consensus and support for reform	Dec-06	Jan-07	<ul style="list-style-type: none"> ▪ Conduct workshops and public-private dialogues among stakeholders, including government officials, businesses and business associations 	Provincial authorities	LTTA Local consultants
Activity 2.3 Develop recommendations on	Jan-07	May-07	Based on the findings in the assessment:	Provincial authorities	LTTA

Tasks	Start Date	End Date	Outputs	Anticipated Partner(s)	Resources Req'd
regulatory/procedural reform and simplification			<ul style="list-style-type: none"> ▪ In close collaboration with officials, develop recommendations for regulatory reform and procedural simplification ▪ Workshops to set out recommendations to provincial leadership, including the likely benefits of implementing reform ▪ Create public awareness and support for reform recommendations through workshops with stakeholders 		Local consultants
Activity 2.4 Develop action plan for implementation of selected reform recommendations	April-07	Sept-07	<ul style="list-style-type: none"> ▪ In close coordination with provincial officials develop a provincial regulatory reform policy that ensures regulatory review principles are mainstreamed and institutionalized into all provincial policy processes ▪ Build consensus and support for action plan among stakeholders, including local businesses and business associations through private-public dialogues 	Provincial authorities	LTTA Local consultants

IR 3 National Dialogues and Competitiveness Assessment

Tasks	Start Date	End Date	Outputs	Anticipated Partner(s)	Resources Req'd
Task 1: Development of Local-National Dialogue on Impediments to Good Economic Governance					
Activity 1.1 Initially identify national-level constraints on provincial economic governance	Oct-06	Dec-06	<ul style="list-style-type: none"> ▪ Through research, identify problems in provincial economic governance to national policies and regulations (or lack thereof) that can be addressed only through coordination between national- and provincial-level agencies 	MPI/ASMED Provincial authorities	LTTA STTA Local consultants

Tasks	Start Date	End Date	Outputs	Anticipated Partner(s)	Resources Req'd
			<ul style="list-style-type: none"> ▪ Examples of initially identified constraints could include: lack of national framework for sub-sovereign revenue bonds; lack of confidence in legal institutions as means to resolve business disputes; lack of clear guidance on proper implantation of laws and regulations, etc. ▪ Additional issues and constraints will be identified on an on-going basis as they emerge through research and dialogues 		
Activity 1.2 Develop quarterly provincial-national dialogues to discuss identified constraints	Jan-07	Sept-07	<ul style="list-style-type: none"> ▪ Quarterly dialogues between provincial and national leaders to identify constraints and develop solutions 	MPI/ASMED Provincial authorities	LTTA STTA Local consultants
Activity 1.3 Publish findings to build public awareness and understanding of constraints on provincial economic governance	Jan-07	April-07	<ul style="list-style-type: none"> ▪ Workshop to present findings and collect public input for possible solutions 	MPI/ASMED Provincial authorities	LTTA STTA Local consultants
Activity 1.4 Implementation of solution to selected constraints	Mar-07	Sept-07	<ul style="list-style-type: none"> ▪ Implementation of solutions to selected constraints as identified and developed through quarterly dialogues and public workshops 	MPI/ASMED Provincial authorities	LTTA STTA Local consultants
Task 2: Development of National Competitiveness Assessment and Dialogue					
Activity 2.1 Research into factors affecting Vietnam's competitiveness	Oct-06	Feb-07	<ul style="list-style-type: none"> ▪ Conduct necessary research, using, in part, existing evaluations of Vietnam's competitiveness ▪ Develop trade data using Global Trade Atlas, and data from ASEAN, UNCTAD and the ITC 	MPI/ASMED	LTTA STTA Local consultants
Activity 2.2 Review existing literature and best practices and interview authors	Oct-06	Feb-07	<ul style="list-style-type: none"> ▪ Review of existing research and literature and conduct interviews with authors and stakeholders, including government officials, businesses, business associations, researchers, and others, on issues 	MPI/ASMED	LTTA STTA Local consultants

Tasks	Start Date	End Date	Outputs	Anticipated Partner(s)	Resources Req'd
			relating to competitiveness, in particular Vietnam's competitiveness vis-à-vis other countries		
Activity 2.3 Increase public and private awareness of critical importance of competitiveness	Oct-06	Sept-07	<ul style="list-style-type: none"> ▪ Develop campaign to build public and private awareness of competitiveness as key for future development of Vietnam ▪ Implement campaign thorough workshops conducted in various locations and with varying partners, including officials, businesses, researchers, and other relevant partners 	MPI/ASMED	LTTA STTA Local consultants
Activity 2.4 Finalize and publish national competitiveness assessment	Jan-07	April-07	<ul style="list-style-type: none"> ▪ Finalize research and writing of NCA ▪ Release final NCA at public events 	MPI/ASMED	LTTA STTA Local consultants
Activity 2.5 Enhance the NCA and continue to build consensus for national competitiveness strategy	Oct-07	Sept-08	<ul style="list-style-type: none"> ▪ Study linkages between NCA and PCI ▪ Conduct donor coordination meetings to explore programming opportunities ▪ Outreach to media, academia, business, etc., to build sustainable constituency for the NCA 	MPI/ASMED International donors Media, academia, businesses	LTTA STTA Local consultants