

Aus4Reform



VIETNAM'S BUSINESS ENVIRONMENT AND COMPETITIVENESS IN THE 2016-2019 PERIOD: RESULTS, ISSUES AND SOLUTION

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MỤC LỤC

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LIST OF ABBREVIATIONS

ACI	Asia Competitiveness Institute
AEC	ASEAN Economic Community
BCB	Best Countries for Business
CIEM	Central Institute for Economic Management
CIP	Competitive Industrial Performance index
CPI	Corruption Perceptions Index
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
EoDB	Ease of Doing Business Index
EU	European Union
FDI	Foreign direct investment
FTA	Free trade agreement
GCI	Global competitiveness index
GII	Global Innovation Index
IEF	Index of Economic Freedom
IPRI	International property rights index
LPI	Logistics Performance index
PCI	Provincial Competitiveness Index
RCI	Regional competitiveness index
TTCI	Travel and Tourism Competitiveness Index
UN	United Nation
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
VCCI	Vietnam Chamber of Commerce and Industry
WB	World Bank
WCY	World Competitiveness Yearbook
WEF	World Economic Forum
WGI	Worldwide Governance Indicators
WIPO	World Intellectual Property Organization

INTRODUCTION

Over the years, Vietnam has made many reforms and has become a dynamic player of the global economy. Vietnam's economy continues to grow, people's living standards and incomes have been improved, poverty rates have fallen, thus it has become an increasingly attractive destination for investors.

Despite many achievements in economic development, the economy has been showing intrinsic problems and weak competitiveness in many aspects. Vietnam's income level is still low, even when compared to its regional neighbors. According to the World Economic Forum, the income gap between Vietnam and the average of developing countries in Asia is widening. Moreover, the existing macroeconomic uncertainties show that Vietnam's growth is still fragile. The external evolutions and changes are happening quickly and intricately, which also has strong effect on Vietnam's economy. It is important to note that in the world, countries compete with each other through improving the business environment, national competitiveness, competence of industries and enterprises.

On the other hand, in the context of extensive international economic integration along with substantial movements of the world economy such as rapidly changing technology, political polarization and fragile economic recovery, improving business environment and competitiveness, creating favorable conditions for businesses, and promoting innovation is increasingly necessary and important. The fourth industrial revolution (IR 4.0) is developing rapidly and causing huge impact on the competitiveness of economies. IR 4.0 is opening up many new opportunities, especially for developing countries like Vietnam, to improve productivity and shorten the development gap.

In addition, Vietnam also integrate into the world economy with the completion of many large-scale free trade agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), EU-Vietnam Free Trade Agreement (EVFTA), Vietnam - Eurasian Economic Union Free Trade Agreement, etc. This context requires Vietnam to access to new revolution's achievements to effectively participate in global value chains and promote industrialization and modernization. Vietnam, as other countries, can improve productivity, growth and prosperity by seizing the opportunity of Industrial Revolution 4.0 and fulfilling free trade commitments. Therefore, Vietnam needs to take advantage of this opportunity to create a breakthrough in raising the competitiveness.

In this context, since 2014, the Government has continuously issued policies and resolutions on improving business environment and national competitiveness

(namely annual Resolution No. 19 during 2014-2018; Resolution No. 02 dated January 1, 2019). Resolution No. 19 and Resolution No. 02 are efforts to implement a breakthrough in institution, with a focus on regulatory reforms, in administrative procedures, and business environment. The aforementioned progresses reflect a new approach of the Government, which is highly appreciated and received actively support and participation by both domestic and foreign business community. The resolutions also help to measure and track the extent of Vietnam's improvement and gaps between its business environment and competitiveness and other regional and international economies', thereby identifying problems and appropriate solutions in accordance with best international practices and socio-economic development orientations of Vietnam.

Under the Australian Program to support Vietnam's economic reform (Aus4Reform Program), the Central Institute for Economic Management (CIEM) conducted a research on Vietnam's business environment and competitiveness in the 2016-2019 period to assess results of the Government's reform in recent years, identify remaining bottlenecks and challenges, and then propose specific solutions to achieve Government's goals set out in Resolution No. 19 and Resolution No. 02. This report examines theoretical approaches of international organizations in assessing business environment and competitiveness; the situation of Vietnam (through international ranking indexes evaluating Vietnam and domestic practices); and recommend solutions to improve business environment, labor productivity and competitiveness as well.

The report was made by the Central Institute for Economic Management and the consultant team of the Aus4Reform Program. The research team was led by Dr Nguyen Dinh Cung, Former President of the CIEM, with the participation of Business Environment and Competitiveness Department members. The consultant team include Mr. Nguyen Xuan Ngoc, Ms. Hoang Thuy Hang, Ms. Dao Thi Thu Trang, Ms. Nguyen Thi Thuy Trang and Ms. Nguyen Thanh Hang.

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President of Central Institute for Economic Management

Director of the Aus4Reform Program

CHAPTER 1. MEASUREMENT AND ASSESSMENT APPROACH OF BUSINESS ENVIRONMENT AND COMPETITIVENESS

The business environment, competitiveness factors and national competitiveness have been measured and ranked by many international organizations at different levels and aspects over the past years. At the national competitiveness level, there are annual rankings such as Global Competitiveness Index (GCI) of the World Economic Forum (WEF); World Competitiveness Yearbook (WCY) of the Switzerland's International Institute for Management Development (IMD); European Commission's Regional Competitiveness Index (RCI)...

About factors affecting competitiveness, a number of rankings can be listed such as the Ease of Doing Business Index by World Bank (WB); Best Countries for Business (BCB) by Forbes Magazine; the Index of Economic Freedom (IEF) by the Heritage Foundation and The Wall Street Journal; the World Governance Index (WGI) by the World Bank; the Corruption Perception Index (CPI) by Transparency International; the Global Innovation Index (GII) by the World Intellectual Property Organization (WIPO) and INSEAD Business School; the E-Government Development Index by the United Nations (UN); the International Property Rights Index (IPRI) by The Property Rights Alliance...

At the level of industry (or enterprise), some meaningful and widely referenced rankings are the Travel and Tourism Competitiveness Report (TTCI) by the World Economic Forum; the Logistics Performance Index (LPI) by the World Bank; Competitive Industrial Performance Index (CIP) by the United Nations Industrial Development Organization (UNIDO)...

The aforementioned ranking reports use different methodologies and indicators to meet the distinct requirements of involved organizations. The prestige of international organizations in charge is dissimilar so the influence of these competitiveness rankings is disparate too. However, they generally aim at improving productivity, growth and prosperity of the economy whether their perspectives are from national, sectoral level or a specific factor.

Their assessment results show a positive correlation between indices' rankings and GDP per capita as well. Countries with high rankings seem also have high GDP per capita and vice versa. It means that improving the score and ranking of business environment and competitiveness indicators directly contributes to boosting labor productivity, growth and prosperity of the economy. Therefore, all stakeholders, especially researchers and policy makers, accept the above indicators

as reliable reference sources when assessing business environment and competitiveness of an economy.

So, studying these reports' methodology, indicators helps policy makers as well as other people understand more clearly about business environment, competitiveness and appropriate use of ranking criteria.

1.6. Business environment under World Bank's approach

1.6.1. Introduction to Ease of Doing Business ranking

Ease of Doing Business by the World Bank is an annual report since 2003 about survey results of regulations leading to business promotion or restriction. The report provides an overall ranking of the business environment based on a set of evaluating indicators for regulations relating to business operations and protection of property rights, especially for small and medium enterprises in the country. In implementing this ranking, the World Bank gathers information of changes in the legal framework, administrative procedures and obstacles in starting or establishing operation of an enterprise.

The first edition in 2003 (named Doing Business 2004¹⁵) presented 5 indices and 133 economies. By 2018, Doing Business 2019 (published on October 31, 2018) ranked 190 economies; including smallest economies and some of the poorest countries. Over the years, the number of indicators and surveyed economies has gradually expanded (see Table 1).

The goal of the report is to provide an objective basis for examining and improving the regulations relating to business operations and their enforcement.

The Doing Business's indicators are used to:

- *First*, evaluate regulations; assess the complexity shown in regulations.
- *Second*, measure compliance time and cost (such as time and cost of contract implementation, bankruptcy procedures or cross-border trade, ...).
- *Third*, analyze the degree of ownership protection (for example, investor protection).
- *Fourth*, determine the tax and payable burden of a business.
- *Fifth*, assess various aspects of employment regulations.

¹⁵ The Ease of Doing Business reports are named by the year after the year of publication; and use data collected from June of previous year to the end of May of the year of publication (except for the index of Paying taxes). For example, the report published in 2018 is Doing Business 2019, with data collected from June 2017 to the end of May 2018.

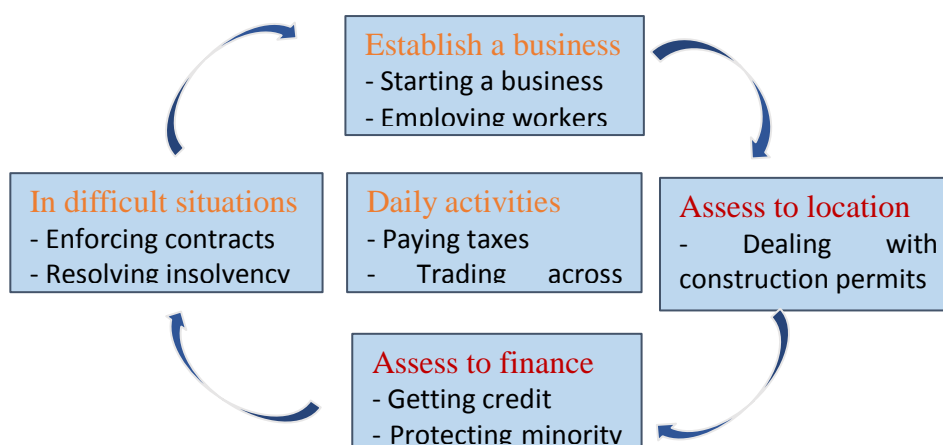
Table 13: Topics and economies covered by Doing Business reports

	DB 2005	DB 2006	DB 2007	DB 2008	DB 2009	DB 2010	DB 2011	DB 2012	DB 2013	DB 2014	DB 2015	DB 2016	DB 2017	DB 2018	DB 2019	DB 2020
Getting electricity																
Dealing with construction permits																
Trading across borders																
Paying taxes																
Protecting minority investors																
Registering property																
Getting credit																
Resolving insolvency																
Enforcing contracts																
Employing workers																
Starting a business																
Number of economies	145	155	175	178	181	183	183	183	185	189	189	189	190	190	190	190

Source: Doing Business reports (2004-2019)

Indicators are designed according to the life cycle of a business, including procedures from establishment to insolvency resolve (see Figure 1).

Figure 21. Indicators in Ease of Doing Business report



Source: Summary of the World Bank's approach.

Doing Business reports measure the indicator of Starting a business, Dealing with construction permits, Getting electricity, Registering property, Getting credit, Protecting minority investors, Trading across borders, Paying taxes, Enforcing contracts, and Resolving insolvency. In addition, the report also assesses labor market regulations but does not count to the overall score of ease of doing business. The indicators are mainly assessed on following criteria: the number of procedures, time, costs and the quality measure of regulations.

The method of assessing indicators can be adjusted to better suit realities in economies (see Table 2).

Table 14: Adjustment of Doing Business indicators' evaluation methodology

	DB2004-2014	DB2015	DB2016	DB2017-2020
Starting a business	<ul style="list-style-type: none"> - Taking into account gender component: · Procedure · Time · Cost · Paid-in minimum capital 	<ul style="list-style-type: none"> - Taking into account gender component: · Procedure · Time · Cost · Paid-in minimum capital 	<ul style="list-style-type: none"> - Taking into account gender component: · Procedure · Time · Cost · Paid-in minimum capital 	<ul style="list-style-type: none"> - Taking into account gender component: · Procedure · Time · Cost · Paid-in minimum capital
Dealing with construction permits	<ul style="list-style-type: none"> · Procedure · Time · Cost 	<ul style="list-style-type: none"> · Procedure · Time · Cost 	<ul style="list-style-type: none"> · Procedure · Time · Cost · ADD: Quality of building regulations index 	<ul style="list-style-type: none"> · Procedure · Time · Cost · Quality of building regulations index
Getting electricity	<ul style="list-style-type: none"> · Procedure · Time · Cost 	<ul style="list-style-type: none"> · Procedure · Time · Cost 	<ul style="list-style-type: none"> · Procedure · Time · Cost · ADD: Reliability of supply and transparency of tariffs index 	<ul style="list-style-type: none"> · Procedure · Time · Cost · Reliability of supply and transparency of tariffs index

	DB2004-2014	DB2015	DB2016	DB2017-2020
Registering property	<ul style="list-style-type: none"> · Procedure · Time · Cost 	<ul style="list-style-type: none"> · Procedure · Time · Cost 	<ul style="list-style-type: none"> · Procedure · Time · Cost · ADD: Quality of land administration index 	<ul style="list-style-type: none"> · Procedure · Time · Cost · EXPAND: Quality of land administration index includes equal access to property rights index
Getting credit	<ul style="list-style-type: none"> · Legal rights of borrowers and lenders (protection of the rights of borrowers and lenders; of secured creditors) · Credit information 	<ul style="list-style-type: none"> · EXPAND: The legal rights index expanded from 10 to 12 points · EXPAND: The credit information index expanded from 6 to 8 points 	<ul style="list-style-type: none"> · The legal rights index expanded from 10 to 12 points · The credit information index expanded from 6 to 8 points 	<ul style="list-style-type: none"> · The legal rights index expanded from 10 to 12 points · The credit information index expanded from 6 to 8 points
Protecting minority investors	<ul style="list-style-type: none"> · The extent of conflict of interest regulation index 	<ul style="list-style-type: none"> · The extent of conflict of interest regulation index · ADD: The extent of shareholder governance index 	<ul style="list-style-type: none"> · The extent of conflict of interest regulation index · The extent of shareholder governance index 	<ul style="list-style-type: none"> · The extent of conflict of interest regulation index · The extent of shareholder governance index
Paying taxes	<ul style="list-style-type: none"> · Tax payments 	<ul style="list-style-type: none"> · Tax payments 	<ul style="list-style-type: none"> · Tax payments 	<ul style="list-style-type: none"> · Tax payments

	DB2004-2014	DB2015	DB2016	DB2017-2020
	<ul style="list-style-type: none"> · Time · Total tax and contribution rate 	<ul style="list-style-type: none"> · Time · Total tax and contribution rate 	<ul style="list-style-type: none"> · Time · Total tax and contribution rate 	<ul style="list-style-type: none"> · Time · Total tax and contribution rate · ADD: Postfiling index
Trading across borders	<ul style="list-style-type: none"> · Records of export · Time of export · Cost of export · Records of import · Time of import · Cost of import 	<ul style="list-style-type: none"> · Records of export · Time of export · Cost of export · Records of import · Time of import · Cost of import 	<p>NEW CONTEXT:</p> <ul style="list-style-type: none"> Export - Time: <ul style="list-style-type: none"> + documentary compliance (hour) + border compliance (hour) · Cost: <ul style="list-style-type: none"> + documentary compliance (USD) + border compliance (USD) Import - Time: <ul style="list-style-type: none"> + documentary compliance (hour) + border compliance (hour) - Cost: 	<ul style="list-style-type: none"> Export - Time: <ul style="list-style-type: none"> + documentary compliance (hour) + border compliance (hour) · Cost: <ul style="list-style-type: none"> + documentary compliance (USD) + border compliance (USD) Import - Time: <ul style="list-style-type: none"> + documentary compliance (hour) + border compliance (hour) - Cost:

	DB2004-2014	DB2015	DB2016	DB2017-2020
			+ documentary compliance (USD) + border compliance (USD)	+ documentary compliance (USD) + border compliance (USD)
Enforcing contracts	<ul style="list-style-type: none"> · Procedure · Time · Cost 	<ul style="list-style-type: none"> · Procedure · Time · Cost 	<ul style="list-style-type: none"> · Time · Cost · ADD: Quality of judicial processes index 	<ul style="list-style-type: none"> · Time · Cost · EXPAND: Quality of judicial processes index takes into account gender in dealing with disputes in court
Resolving insolvency	<ul style="list-style-type: none"> · Recovery rate 	<ul style="list-style-type: none"> · Recovery rate · ADD: Strength of Insolvency Framework Index 	<ul style="list-style-type: none"> · Recovery rate · Strength of Insolvency Framework Index 	<ul style="list-style-type: none"> · Recovery rate · Strength of Insolvency Framework Index

Source: Doing Business reports (2003-2019)

For each indicator, the report focuses on relevant regulations that promote or restrict business activities in this aspect, as well as compares best practices in all economies. The results are converted into scores to assess the level of convenience for enterprise business activities; changes in each economy achieves year by year, and its ranking compared to other economies.

Table 15: Measurement of indicators in Doing Business 2019 report

Indicator	Measurement
Starting a business	Procedure, time, cost, and paid-in minimum capital to establish a limited liability company (by gender of applicant)
Dealing with construction permits	Procedures, time and cost to complete all the procedures for applying for a warehouse permit; quality of building regulations, the strength of quality control and safety mechanisms, liability and insurance regimes, and professional certification requirements
Getting Electricity	Procedures, time, cost required for a business to obtain a permanent electricity connection and supply for a standardized warehouse; reliability of supply and transparency of tariffs index
Registering Property	Procedures, time, cost required to transfer property between two local companies; quality of land administration (by gender of applicant)
Getting Credit	Provisions on secured transactions and the reporting of credit information
Protecting Minority Investors	The protection of minority investors from conflicts of interest and shareholders' rights in corporate governance
Paying Taxes	Tax payments, time, total tax and contribution rate of a medium-size company; and postfiling index
Trading across Borders	Time, cost associated with process of exporting and importing goods across borders
Enforcing Contracts	Time and cost for resolving a commercial dispute; and the quality of judicial processes index (by gender of applicant)
Resolving Insolvency	Time, cost, outcome and recovery rate of insolvency proceedings; and the strength of insolvency framework index
Employing Workers	The flexibility of regulation of employment, aspects of job quality

1.6.2. Guideline for using Doing Business report

The Doing Business report not only looks at quality of regulations, but also focuses on enforcement in reality. Accordingly, regulations must be both

understandable and easy to follow, and quality of the implementation process is also guaranteed at the same time.

Doing Business report only assesses the extent of reform but not the status in each area. It also does not assess all business environment's factors that affect the development of business, the level of national competitiveness and prospects for foreign investment of the economy. For example, the report does not analyze market size, the level of financial markets, macroeconomic factors, foreign investment, security issues and political stability.

Nevertheless, indicators in the Doing Business report provide detailed information for policy makers to identify areas for reform and improvement. Results of the report have spurred policy discussion around the world and facilitated research on the impact of regulations toward enterprises on the overall performance of economies. Through from best implemented practices, the competitiveness, productivity and efficiency of several economies have increased markedly. So, Doing Business report is an independent and objective source for assessing convenience of legal provisions governing business operations; thereby reflecting business environment in each economy.

The results from the Doing Business report can be used for a variety of purposes and by a variety of audiences. Many governments have relied on the evaluation framework of Doing Business to improve development and innovation strategies. More than 70 economies, such as Korea, Thailand, Indonesia, Taiwan, etc. have established economic reform committees, using the information from the report as input for reform programs. More than 1100 reforms have been recorded in Doing Business reports in the past 15 years. At the same time, numerous economies have shared their experiences and insights in legal reform and enforcement through multilateral and bilateral exchange forums.

1.7. National competitiveness

1.7.1. Introduction to global competitiveness ranking

The Global Competitiveness Report (GCR) is an annual report prepared by the World Economic Forum (WEF) and was first published in 1979. This report examines factors that affect national competitiveness. At first, the report aims to address issues and foster discussion among stakeholders on strategies and policies to help countries overcome obstacles and improve competitiveness. Since 2005, the World Economic Forum has used the Global Competitiveness Index (GCI) as a tool to measure the micro and macroeconomic factors affecting national competitiveness; and strengths and weaknesses of countries' economies. The

ranking of the World Economic Forum also reflects the factors affecting a country's business environment, which are also essential factors for sustainable economic growth.













The GCI is based on a simple but robust theoretical model, ensuring the ability to expand later for research and to help policy makers know reality. Before 2018, the GCI's framework was based on a theory of creating a common framework but still reflecting specific conditions of each economies. Accordingly, the GCI index framework has three platforms, including: (1) The natural advantages, (2) Macro competitiveness, and (3) Micro competitiveness.

In the context of drastically changing technology, political polarization and fragile economic recovery, the World Economic Forum has changed the way in which global competitiveness is assessed, focusing on factors promoting long-term growth and improving people's income. With a new approach, this index changed its name into Global Competitiveness Index 4.0 (GCI 4.0). In 2017, the World Economic Forum still assessed and ranked global competitiveness, but added the Global Competitiveness 4.0 index for reference. In 2018, the World Economic Forum officially adopted a new method and published the 2018 Global Competitiveness Report with the evaluation and ranking of Global Competitiveness Index 4.0. Due to different approaches, the Global Competitiveness Index 4.0 cannot be compared to previous global competitiveness rating.

1.7.2. Approach in assessing Global Competitiveness 4.0

The Global Competitiveness Index 4.0 is determined based on a new set of factors affecting productivity in the context of Industry 4.0. This index assesses the determinants of a country's productivity level - the most important driving force to improve living standards in the long run. GCI 4.0 measures 12 drivers (pillars) of productivity (see Figure below); assesses essential aspects such as human resources, level of creativity, innovation, level of resistance to external shocks, and acumen. These contents are expressed through other new important factors (for example: entrepreneurial culture, breakthrough ideas, stakeholders' collaboration, critical thinking, society's beliefs, etc.) as well as traditional ones (like application of information technology (IT), infrastructure, macroeconomic stability, property rights, etc.)

Figure 22. GCI 4.0's measurement approach: 12 pillars in 4 components

Enabling Environment		Markets	
	1st pillar Institutions		7th pillar Product market
	2nd pillar Infrastructure		8th pillar Labour market
	3rd pillar ICT adoption		9th pillar Financial system
	4th pillar Macroeconomic stability		10th pillar Market size
Human Capital		Innovation Ecosystem	
	5th pillar Health		11th pillar Business dynamism
	6th pillar Skills		12th pillar Innovation capability

Source: World Economic Forum, Global Competitiveness Report 2019

Like previous GCIs, GCI 4.0 is also based on pillars (particularly 12 pillars) grouped into 4 categories: Enabling Environment, Human Capital, Markets and Innovation Ecosystem. 12 pillars in GCI 4.0 reflect the size and complexity of motivational factors of productivity and competitiveness. These pillars include: Institutions; Infrastructure; ICT adoption; Macroeconomic stability; Health; Skills; Product market; Labour market; Financial system; Market size; Business dynamics; and Innovation capability.

With new approach, GCI 4.0 has a new scoring method, from 0 to 100 (best). This scoring method emphasizes that competitiveness is not a zero-sum game and can be improved in all economies.

GCI 4.0's approach creates a level playing field for all economies. In the second half of the 20th century, the path of development seemed quite clear: low income economies were expected to develop through industrialization in low-skilled labor-intensive industries. In the context of the Industrial Revolution 4.0, this sequence has become less popular as technology costs and capital are lower than ever and their successful use depends on a number of other factors. In addition, due to the increasing complexity of policy priorities, GCI 4.0 applies same weights to pillars instead of following an economy's current stage of development.

In essence, GCI 4.0 creates a level playing field for each economy to determine their development path. While the sequence depends on the priority of each economy, this index argues that economies need to have comprehensive approach to competitiveness rather than focusing on only one specific factor. An effective pillar cannot make up for the weakness of another pillar. For example, investing in technology but taking no notice of digital skills may not yield high productivity. To improve competitiveness, no area should be ignored. In 2019, the World Economic Forum measures competitiveness for 141 economies.

1.7.3. Data for assessing global competitiveness 4.0

GCI 4.0 is based on economic data published by the participating economies themselves (hard data) and survey results of enterprises and economic experts (soft data). Of the 98 indicators, 44 are taken from the WEF's annual survey; and the remnants get data from other sources and reports. Statistics such as enrollment ratio, government debt, budget deficits and life expectancy are extracted from international organizations like the United Nations Educational, Scientific and Cultural Organization (UNESCO), International Monetary Fund (IMF) and World Health Organization (WHO).

1.8. Competitiveness from the perspective of innovation

The Global Innovation Index (GII) was first introduced by INSEAD Business School (France) in 2007 as a metric to capture the degree and the efficiency of the nation's innovation system. After that, the World Intellectual Property Organization (WIPO) and Cornell University (USA) have participated to develop the methodology and build a more appropriate assessment model. It was a difficult mission since reliable direct measures of the output of innovation have been still lacking even until now. Most existing statistics have to adjust themselves to capture the output of innovation at a wider scale, such as service sectors or public institutions.

According to GII's framework, innovation is understood in a broad approach, which covers not only research and development but also innovation in organization, market, etc. This approach demonstrates that innovation in each country is closely related to their level of development and performance of national innovation system and its connection with other economies. In particular, GII integrates the standardized measurements of 07 pillars, each of them consists 03 sub-pillars, then each sub-pillar includes from 02 to 05 indicators, so there are about 70 - 80 components in total, which vary from year to year. In 2017, there

were 81 indicators; but in 2018, there were only 80. They are grouped into Innovation Input and Innovation Output; and GII is the simple average of these two. In addition, the innovation's efficiency index, which is calculated as the ratio between the Output and the Input, is also considered. This ratio indicates how many outputs the economy creates given its number of inputs.

1.9. Competitiveness from industry level

Typical examples for industry-level competitiveness assessment are World Economic Forum's Travel & Tourism Competitiveness Index (TTCI); and Logistics Performance Index (LPI) of the World Bank. These are also the two industries that are prioritized by the Government of Vietnam. In particular, logistics has important roles and contributions to trade promotion; and tourism is considered a spearhead industry or a priority of Vietnam.

This study focuses on assessing competitiveness in two sectors, tourism and logistics, whose reforms are also paid much attention by the Government. The competitiveness of these two industries is quite important for national competitiveness.

For tourism, this is a sector that Vietnam has comparative advantages, and improving its competitiveness goes in line with the orientation of economic restructuring towards high value-added industries and sustainable development. Tourism is also identified as a priority industry in Vietnam. The Politburo's Resolution No. 08-NQ/TW dated January 16, 2017 stated: *“Restructuring the tourism industry to ensure its professionalism, modernity and sustainable development under market economy rules toward international integration... Perfect the structure of the tourism industry, ensuring that the growth of the tourism industry is aligned with the overall development of the national economy... Provinces and centrally-affiliated cities that have potentials and advantages to develop tourism must imperatively formulate projects on restructuring of their local tourism industries.”*

For logistics, the requirement to improve its competitiveness is always paid much attention in most countries as it has a great influence on global trade. In Vietnam, high cost is a bottleneck of logistics, affecting trade and competitiveness of the economy. Especially in the context of Industry 4.0, technology plays an important role in logistics and determines the success of this industry. Therefore, improving logistics performance is also one of priority goals of the Government of Vietnam.

With the significant roles of tourism and logistics in Vietnam, it is necessary to examine approaches in assessing their competitiveness according to international practices. In particular, it is crucial to take into account the two mentioned indexes by the World Economic Forum and the World Bank.

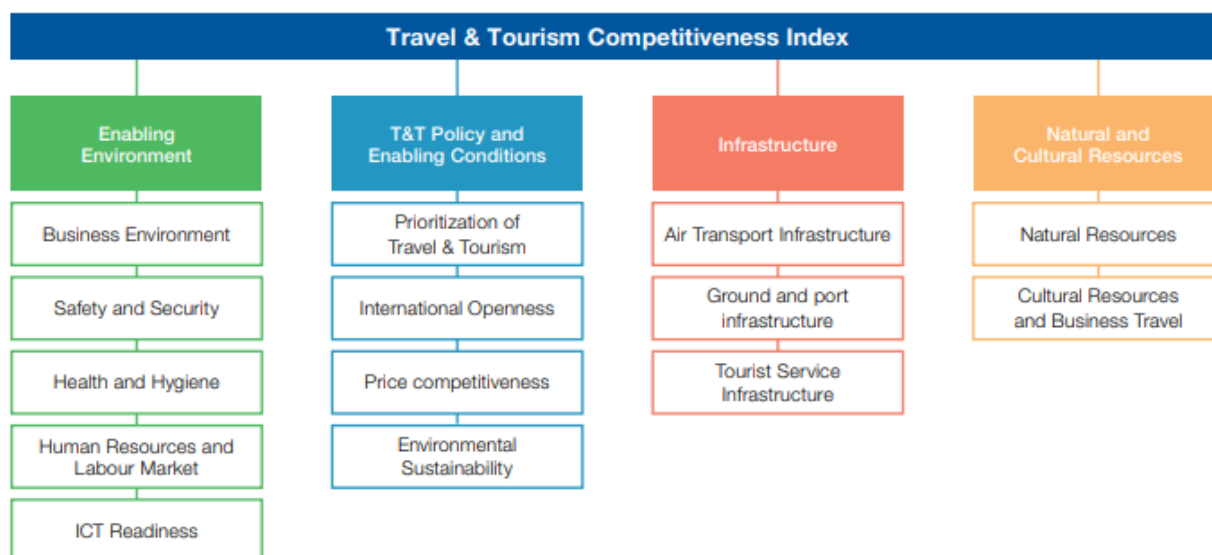
1.9.1. Travel and Tourism Competitiveness Index

Over the past decades, travel and tourism and its ecosystem have proven to be a significant driver of economic growth, contributing more than 10% to global GDP and accounting for 1/10 of total jobs in the world. The industry continues to create opportunities for developing and emerging countries to move up in the value chain. With that importance, the World Economic Forum has developed the Travel and Tourism Competitiveness Index (TTCI) to provide a comprehensive strategic tool to measure factors and policies that promote sustainable tourism development, thereby contributing to the development and enhance the competitiveness of a country. It provides detailed assessments of tourism's context in different countries for all stakeholders to jointly improve tourism competitiveness. It also allows countries to monitor the progress of improving their competitiveness over time.

The TTCI measures four subindexes expressed in 14 pillars as follows:

- Enabling Environment subindex consists of 5 pillars (Business environment; Safety and Security; Health and Hygiene; Human Resources and Labor Market; and ICT Readiness).
- Travel and Tourism Policy and Enabling Conditions subindex consists of 4 pillars (Prioritization of Travel & Tourism; International Openness; Price Competitiveness; and Environmental Sustainability).
- Infrastructure subindex consists of 3 pillars (Air Transport Infrastructure; Ground and Port Infrastructure; Tourist Service Infrastructure).
- Natural and Cultural Resources subindex consists of 2 pillars (Natural Resources; and Cultural Resources and Business Travel).

Figure 23. The TTCI framework



Source: World Economic Forum (2017), *The Travel & Tourism Competitiveness Report 2017*.

1.9.2. Logistics Performance Index

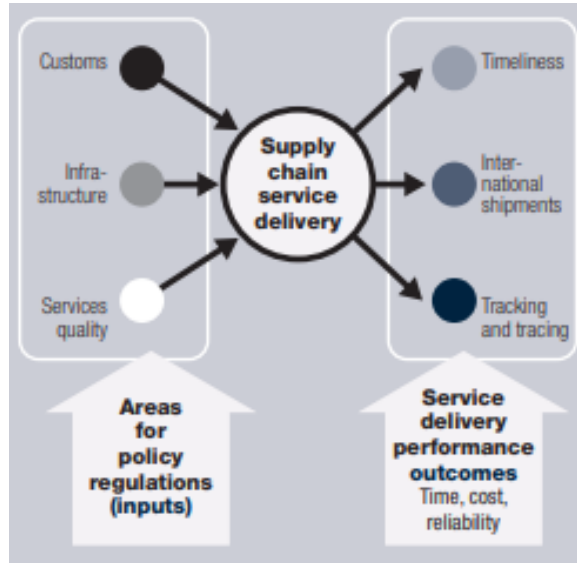
The Logistics Performance Index (LPI) was first released by the World Bank in 2007 and was published every two years. This is a standard measure to identify problems related to logistics activities of a country. LPI's data is from surveys of logistics professionals (including freight forwarder and main express carriers). LPI measures performance along the supply chain from two perspectives: international and domestic¹⁶. The international LPI provides qualitative assessments (including six evaluation criteria) of logistics professionals operating abroad (trading partners) about one country. The domestic LPI summarizes both qualitative and quantitative assessments of logistics professionals operating in the country on it. This index includes information on the logistics environment, key logistics processes, institutions, cost and uptime data.

LPI is based on the weighted average of 6 criteria evaluating a country's trade on a scale of 1 to 5, including: (i) The efficiency of customs and border management clearance (Customs); (ii) The quality of trade- and transport-related infrastructure (Infrastructure); (iii) The competence and quality of logistics services (Services quality); (iv) The ease of arranging competitively priced international shipments (International shipments); (v) The ability to track and trace consignments (Tracking and tracing); (vi) The frequency with which shipments reach consignees within the scheduled or expected delivery time (Timeliness). In

¹⁶ LPI rankings are based on the international LPI.

particular, the first three indicators evaluate policy regulations (inputs), the following three indicators show the performance of the supply chain in term of time, cost and reliability.

Figure 24. Logistics Performance Index’s framework



Source: World Bank (2018), Logistics Performance Index 2018

1.10. General comment

Improving business environment, competitiveness, and strengthening results on international rankings are the focuses of numerous economies. This study analyzes indicators affecting business environment and competitiveness as determined in international practices, but selects indicator groups that have significant meanings and policy implications. This approach helps to position Vietnam on the world’s rankings; identify its weaknesses and gaps with leading economies so as to determine related reforms to improve the business environment, enhance competitiveness, enhance people's living standards and adapt to general trends of the world.

Moreover, this study focuses on assessing the real situation of Vietnam’s business environment, national competitiveness in the period 2016-2019 through utilizing following rankings:

Regarding national competitiveness: Global Competitiveness Index 4.0 by the World Economic Forum.

Regarding business environment: Ease of Doing Business report by the World Bank.

Regarding institution: International Property Rights Index by the Property Rights Alliance.

Regarding Innovation: Global Innovation Index by World Intellectual Property Organization.

These are reputable global rankings referenced by many economies, and in accordance with the development orientation and priorities of Vietnam. Referring to international rankings helps to determine Vietnam's position in comparison with other economies in the world, which is quite helpful in specifying urgent problems and gaps.

CHAPTER 2. VIET NAM BUSINESS ENVIRONMENT AND COMPETITIVENESS IN THE 2016-2019 PERIOD

Resolution No. 02/NQ-CP dated January 1st, 2019 ongoing implementation of major tasks and measures to improve the business environment, enhance national competitiveness in 2019, vision to 2021 is the continuation of the previous Resolution No. 19/NQ-CP in the 2014 – 2018 period. The continuity of the Resolution over the years demonstrates the Government's strong determination to create a favorable business environment, reduce costs and risks for businesses; encourage innovation; promote increasing labor productivity and competitiveness of the economy. Ministries and localities have gradually implemented the objectives and solutions set out in the Resolution and experienced a sharp change in management mindset. As a result, the quality of business environment and competitiveness have been internationally recognized; and positive comments are received from people and the business community.

In particular, for nearly four years (2016-2019), ministries and localities have been aware of the importance of the reform on improving the business environment as well as related responsibilities, thus, they became more active in implementing solutions to improve scores and rankings of indicators under their mandates. Thanks to the active and comprehensive participation of ministries, branches and localities, the results achieved are clear and the confidence of the business community in the Government's reform efforts is increasingly strengthened.

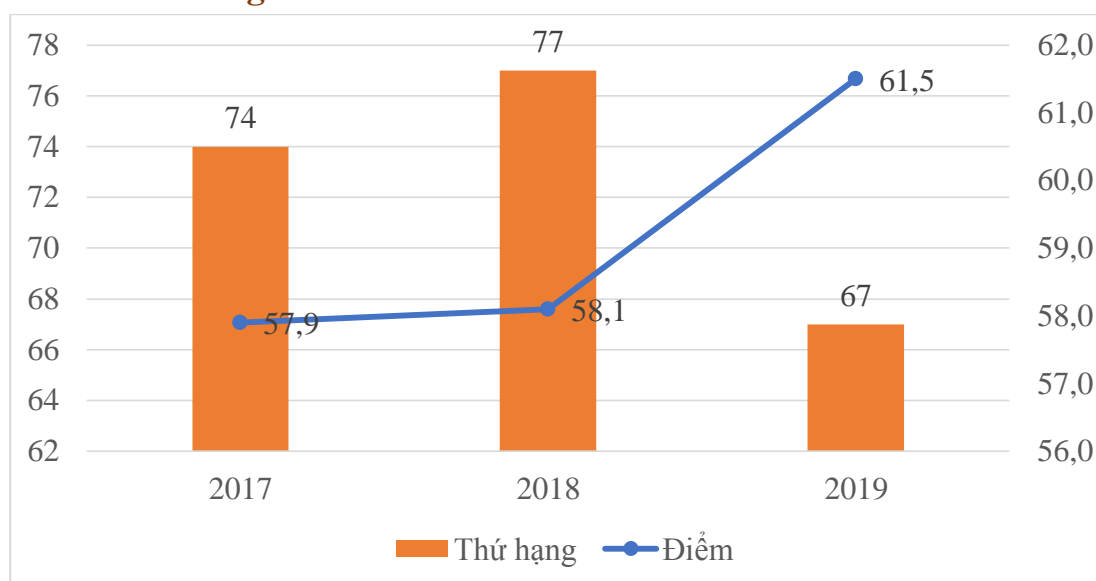
2.6. Status of Vietnam national competitiveness 2016-2019 from the Global Competitiveness Index 4.0

The Global Competitiveness Index 4.0 (GCI 4.0) has been officially introduced by the World Economic Forum since 2017 (formerly the GCI and Vietnam competitiveness is ranked 55th in 2017). This organization conducts a review on the publicly available database and interviews Executives to collect data before September each year.

In three years (2017-2019), according to the World Economic Forum's evaluation, Vietnam's 4.0 competitiveness continuously increased, reflecting the improvement in labor productivity and prosperity of the economy. In 2019, Vietnam increased 3.5 points (from 58 points to 61.5 points) higher than the global average (60.7 points) and increased by 10 ranks (from 77th to 67th); Vietnam is

recognized as an economy with the best score and ranking improvement in the world.

Figure 25. Vietnam GCI 4.0 score and rank



Source: World Economic Forum, *Global Competitiveness Report 4.0 (2017-2019)*

This result is due to the score and rank increase of 8/12 pillars (see Figure 6) as follows:

- ICT adoption pillar has the highest increase in score and rank (increased 25.7 points and 54 rank, from 43.3 points to 69.0 points and the ranking from 95th to 41st). All the index components' score and rank in this pillar are increased (such as fixed-broadband Internet subscriptions, mobile subscriptions, mobile-broadband subscriptions, internet users, fiber Internet subscriptions).

- Product market pillar increased by 23 ranks (from 102nd to 79th), with the increase in score and rank of domestic competitiveness component and trade openness component was positively evaluated due to the reduction of non-tax barriers.

- Business dynamism pillar increased by 12 ranks (from 101st to 89th), with strong improvements on most of the component indicators (except for corporate bankruptcy), especially those indicators demonstrating the growth of innovative companies and companies with breakthrough ideas

- Labor market pillar increased by 2.6 points and 7 ranks (from 90th to 83rd), with the improvement in Internal labour mobility (increased by 27 ranks); Ease of hiring foreign labour (increased by 22 ranks); Flexibility of wage determination (increased by 15 ranks); Cooperation in labour-employer relations and Hiring and firing practices (both increased by 10 levels).

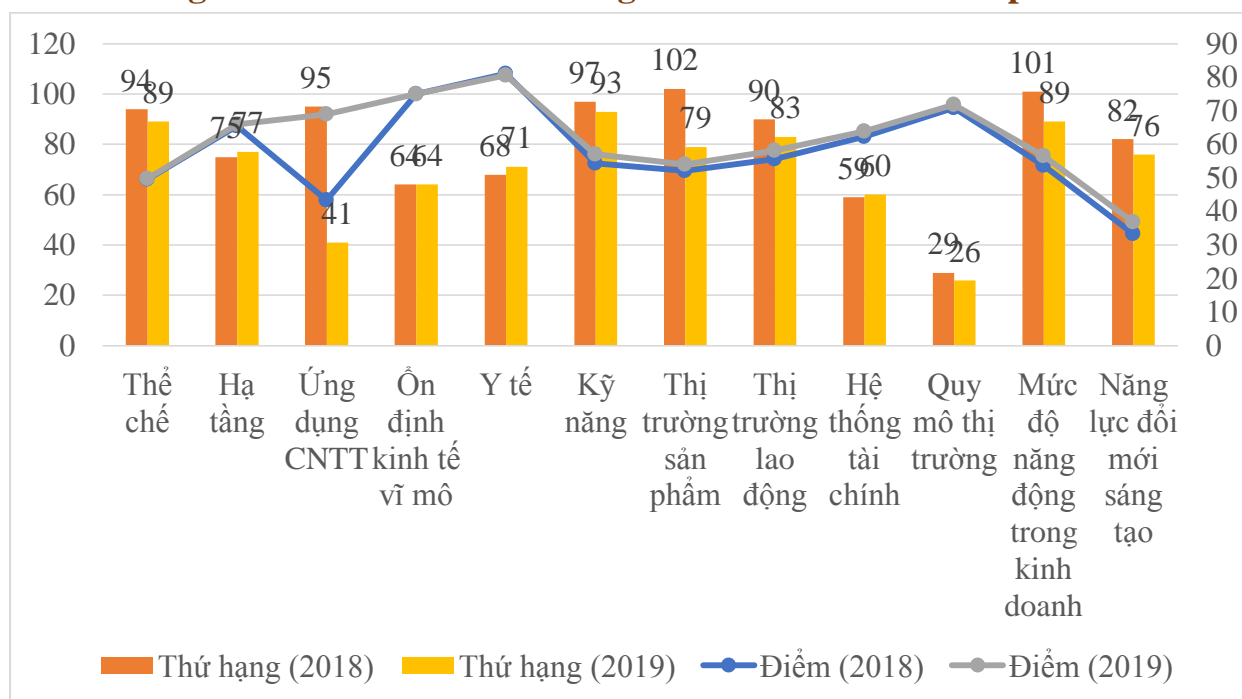
- Innovation capability pillar increased by 6 ranks (from 82nd to 76th). In particular, Buyer sophistication increased by 46 ranks; State of cluster development increased by 33 ranks; Multi-stakeholder collaboration increased by 17 places; Diversity of workforce increased by 16 places; R&D expenditures increased by 6 ranks.

- Institutions increased by 0.3 points and 5 ranks (from 94th to 89th). In particular, Future orientation of government has significant increased.

- Skills pillar increased by 2.7 points and 4 ranks (from rank 97 to rank 93), with a positive improvement of all component indicators. Especially, Quality of vocational training (increased by 13 ranks); Skillset of graduates (increased by 12 ranks); Extent of staff training and Ease of finding skilled employees (increased by 8 ranks); Critical thinking in teaching (increased by 7 levels)...

- Market size pillar increased by 0.9 points and 3 ranks (from 29th to 26th).

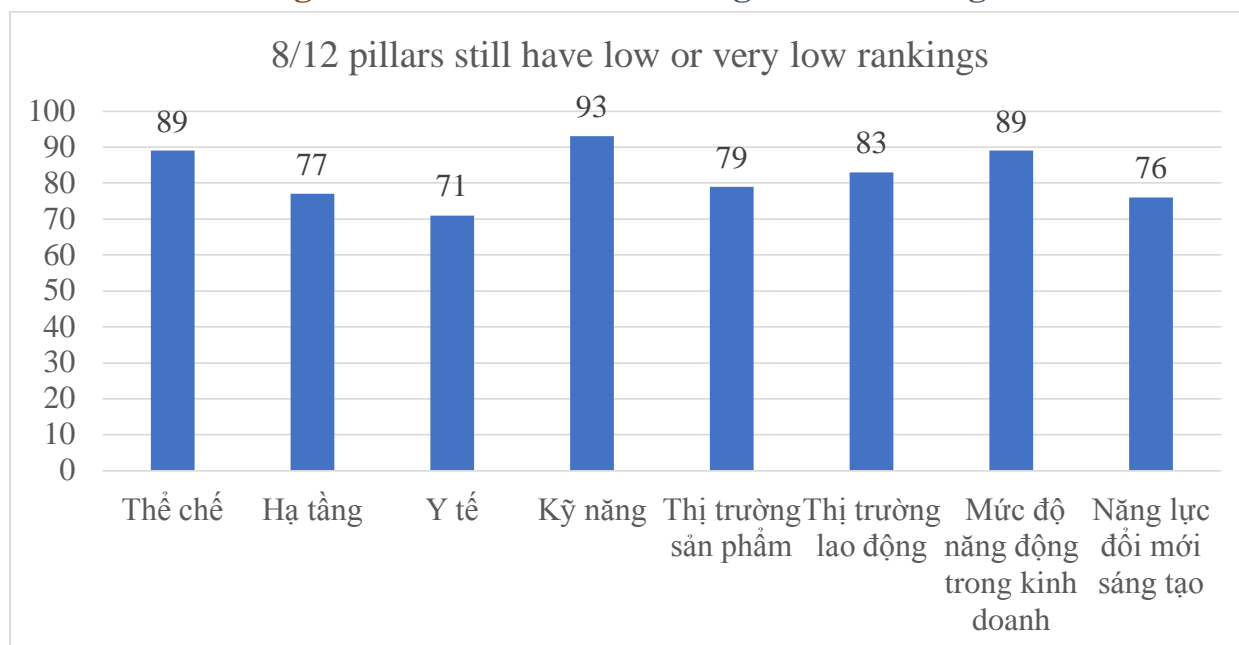
Figure 26. Scores and rankings of Vietnam's 4.0 GCI pillars



Source: World Economic Forum, Global Competitiveness Report 4.0 (2018, 2019)

Although Vietnam has made significant improvements in the scores and rankings of most of the component indicators (8/12 pillars) mentioned above, 8/12 pillars still have low or very low rankings. Pillars with rankings below average (67th) include: Institutions (89th); Infrastructure (77th); Health (71st); Skills (93rd); Product market (79th); Labor market (83rd); Business dynamism (89th); and Innovation capacity (76th).

Figure 27. Pillars with rankings below average



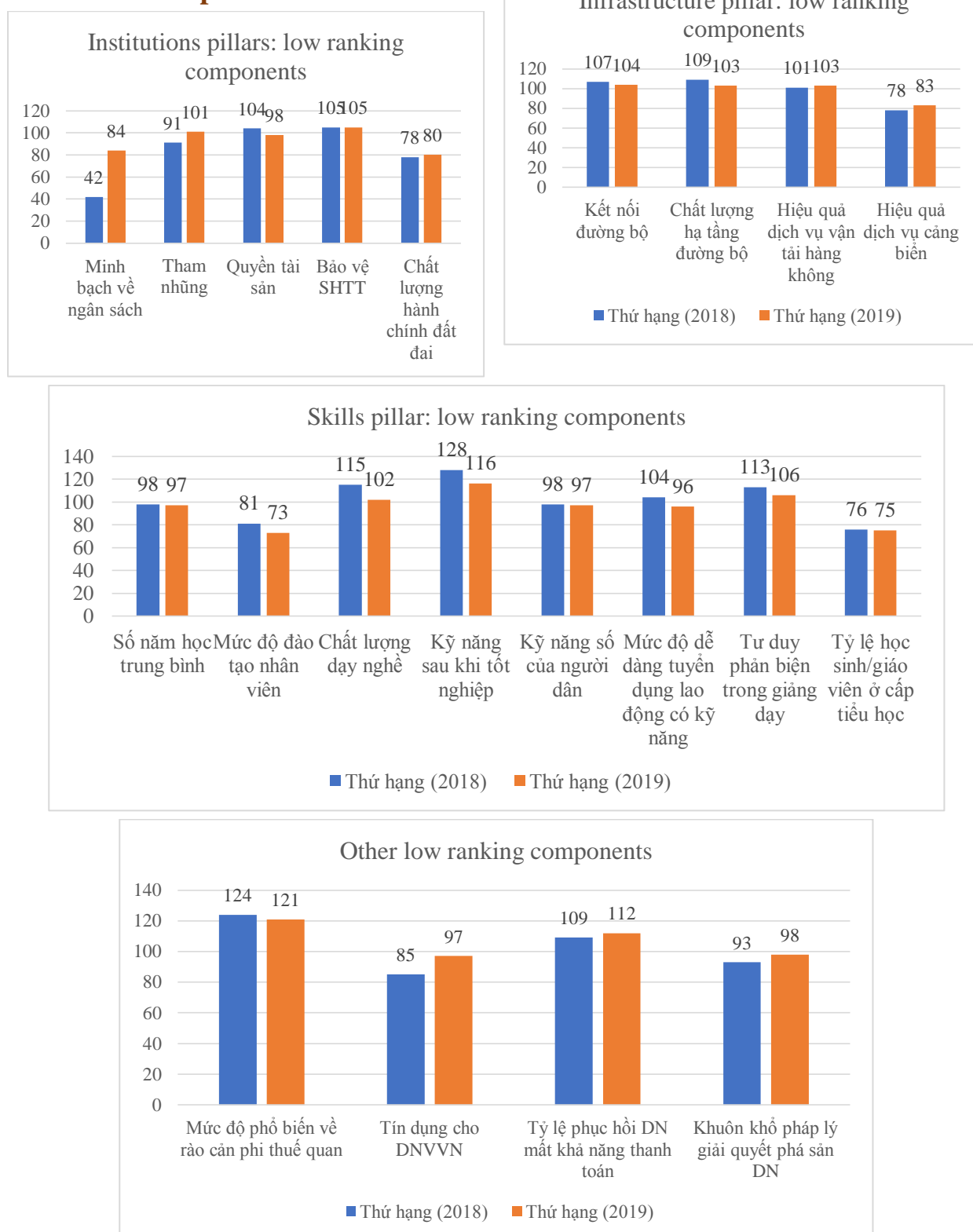
Source: World Economic Forum, *Global Competitiveness Report 4.0 (2018, 2019)*

At the component level, some indicators experienced sharp declines such as:

- Budget transparency decreased by 50.4 points (from 65.4 to 15 points), leading to a drop of 42 ranks (from 42nd to 84th);
- Incidence of corruption is at serious level, standing near the end of the table (ranked 101st), dropping by 10 ranks compared to 2018 (ranked 91st);
- Exposure to unsafe drinking water declined too, currently in the low rank (95th), dropping by 13 ranks compared to 2018 (82nd);
- Although Efficiency of seaport services did not decrease in points, it dropped by 5 ranks (ranked 83rd). This shows that Vietnam has not paid much attention to develop port services compared to other economies;

It is noteworthy that in the Financial system pillar, Financing of SMEs (small and medium-sized enterprises) decreased by 0.8 points and 12 ranks, ranking at 97th (ranked 85th in 2018) (see Figure 8). This result shows that access to credit remains a major obstacle for SMEs. In addition, Venture capital availability has improved, but with slower speed than many other economies, leading to a 10-rank decrease (from 51st to 61st). This partly reflects that the investment and business environment in Vietnam are not really stable and favorable, making investment funds more cautious when investing in businesses in Vietnam.

Figure 28. Several obstacles on competitiveness

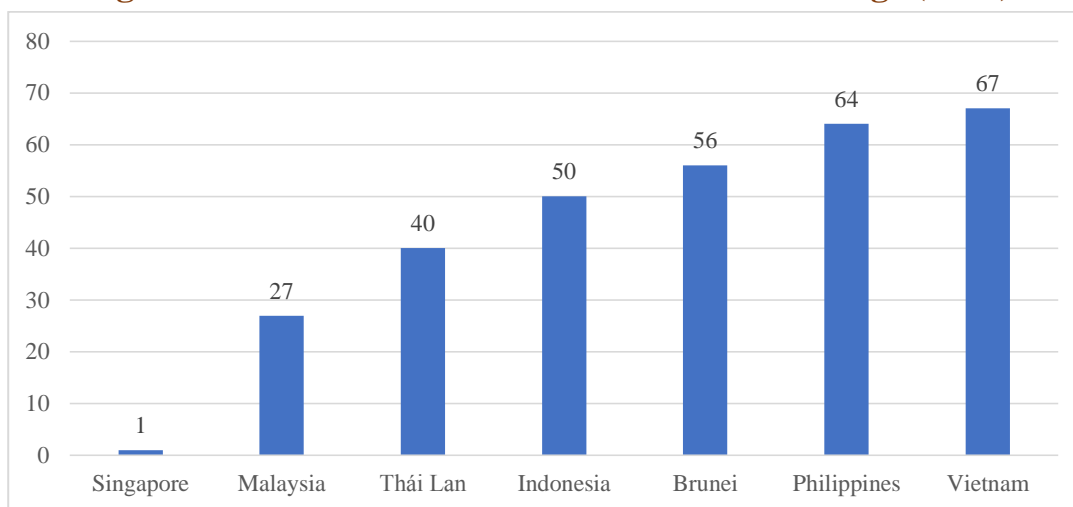


Source: World Economic Forum, Global Competitiveness Report 4.0 (2018, 2019)

In 2019, except for Singapore and Vietnam, the remaining countries in the ASEAN region all have decreased in their scores and rankings in the competitiveness index. Vietnam, however, still has low ranking compared to other

countries in the region (ranked 7th in ASEAN), far from Thailand, Malaysia and Singapore (see Figure 9). Therefore, the goal to be in the group of 4 leading ASEAN countries still faces many challenges, requiring stronger and more comprehensive efforts of the ministries, branches and localities.

Figure 29. Vietnam and ASEAN countries rankings (2019)



Source: World Economic Forum, Global Competitiveness Report 4.0 (2018, 2019)

The improvement of Vietnam's GCI partly reflects the Government's continuous reform efforts in recent years on business environment and promoting innovation to adapt and leap forward in the context of 4.0 industrialization and deeper integration. Outstanding reform efforts such as abolishing and simplifying conditional investment and business lines and business conditions; changing the state management method in specialized inspection and management activities (applying the risk management principle, dramatically shifting to post-inspection...); focus on improving regulations and procedures to create a favorable business environment; promoting e-government and non-cash transactions; reforming the inspecting of enterprises activities; reducing business costs; step by step creating outstanding institutions to promote innovation and creative start-up...; making significant contributions to the results of the CGI 4.0 in 2019 of Vietnam.

However, there are still many obstacles and challenges ahead. To continue to improve the business environment and enhance competitiveness, Vietnam needs to make efforts continuously, to reform vigorously, substantially and comprehensively, especially in the fields of institutions, skills, innovative business environment and ecosystem.

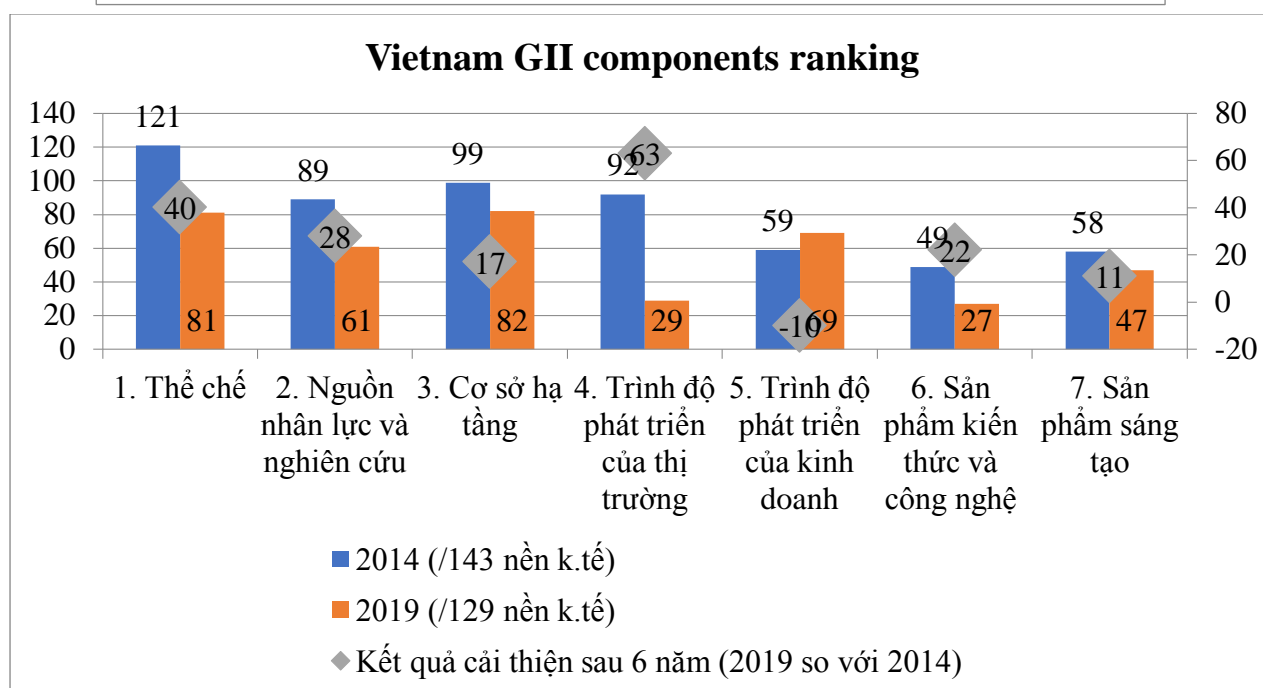
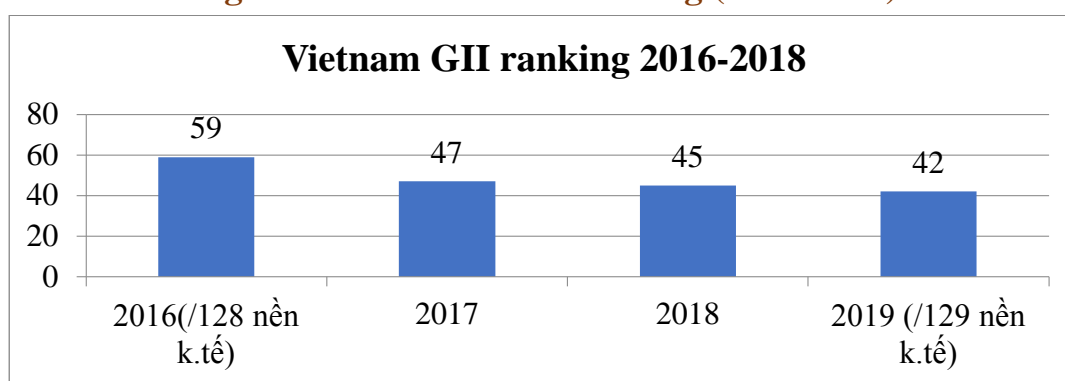
2.7. Vietnam Global Innovation Index (2016-2019)

4.0 Industrial revolution (IR 4.0) has penetrated every aspect of social life. In this context, innovation is an increasingly important factor of the economy competitiveness. The speech of the Minister of Planning and Investment Nguyen

Chi Dung at the Vietnam Information and Communication Forum 2018 affirmed that IR 4.0 could help Vietnam's GDP increase by USD 8-18 billion per year.

Over the past years, the World Intellectual Property Organization (WIPO) has continuously recognized Vietnam's reform actions to enhance innovation capacity; at the same time, WIPO highly appreciated Vietnam's cooperation in providing information for evaluating and ranking in this index. Over four years (2016-2019), the country's Global Innovation Index (GII) increased by 17 ranks (from 59th in 2016 to 42nd in 2019) with 7/7 pillars has high rankings above the average (see Figure 10).

Figure 30. Vietnam GII ranking (2016-2019)

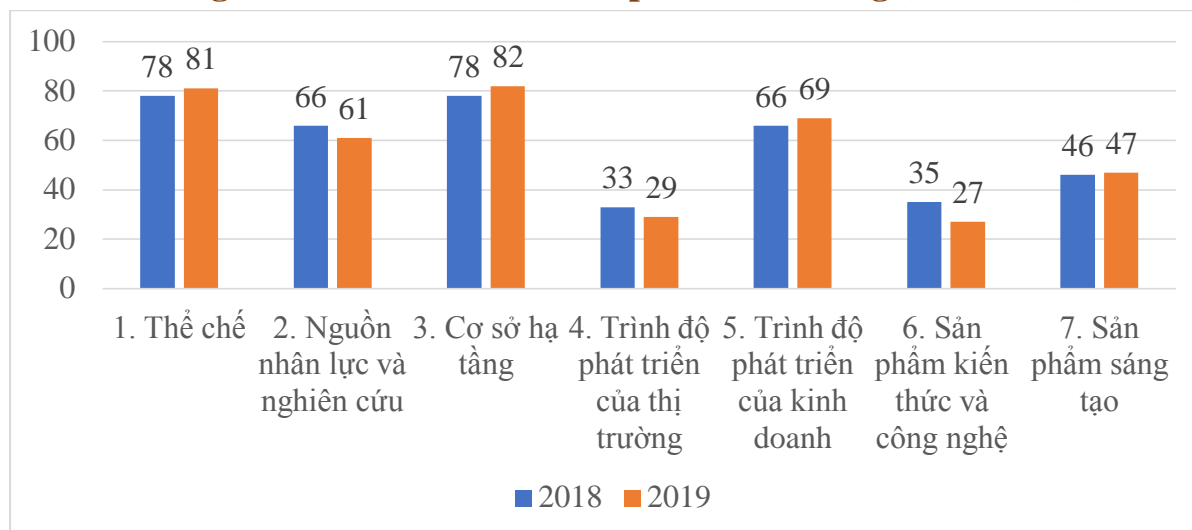


Source: World Intellectual Property Organization, Global Innovation Report (2016-2019)

In 2019, Vietnam GII increased by 3 ranks (from 45th to 42nd). Vietnam ranked first among the 26 low to middle-income countries and ranked 3rd in ASEAN after Singapore and Malaysia. Some positive improvement indicators compared to 2018 are: Market sophistication increased by 3 ranks; Credit

increased by 4 ranks; Labor productivity increased by 3 levels. In particular, two indicators related to input and output of Science, Technology and Innovation have made great leaps, namely: Gross expenditure on research and development has increased by 5 ranks; and the index Knowledge and technology outputs increased by 8 places.

Figure 31. Vietnam GII components ranking (2018-2019)



Source: World Intellectual Property Organization, Global Innovation Report (2016-2019)

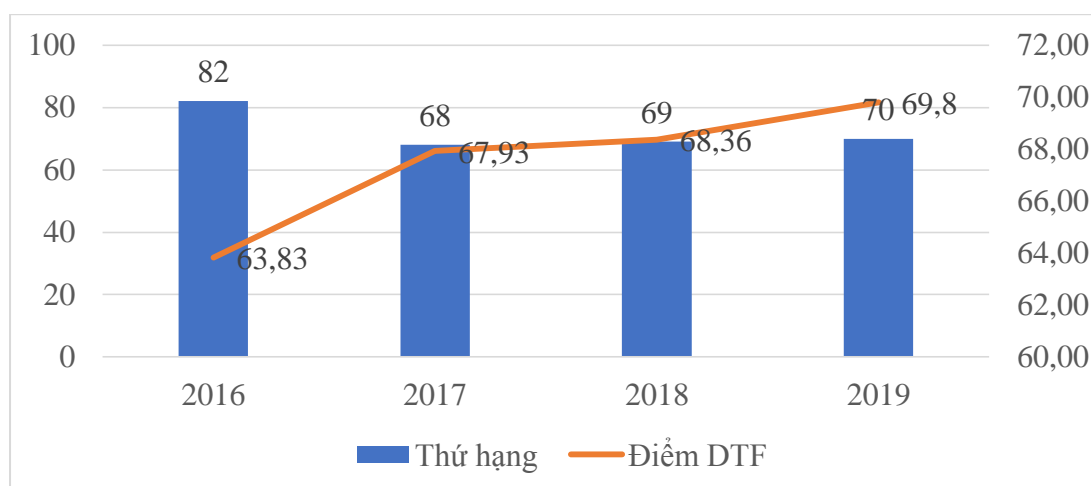
The above achievements are results of Government's direction and solutions in ensuring stable macro-economy and major balances of the economy, as well as solutions to attract social resources for science and technology, promote technology transfer, absorb and R&D, contributing to increase enterprises' labor productivity and competitiveness. However, because Vietnam is at relatively good position in the region, the room for rapid improvement of this index is getting narrower.

2.8. Situation of business environment in Vietnam (2016-2019) - Identifying challenges

2.3.1 Vietnam's business environment from World Bank ratings

Recently, according to the World Bank, Vietnam has been continuously improved the quality of business environment, thus, shortening time, reducing costs and risks for businesses. Over the four years (2016-2019), the Doing Business score increased by 5.97 points (meaning quality improvement) and 12 ranks (from 82nd in 2016 to 70th in 2019) (see Figure 12). Most of positive reforms was recorded in 2017 (the reforms took place from June 2016 to May 2017).

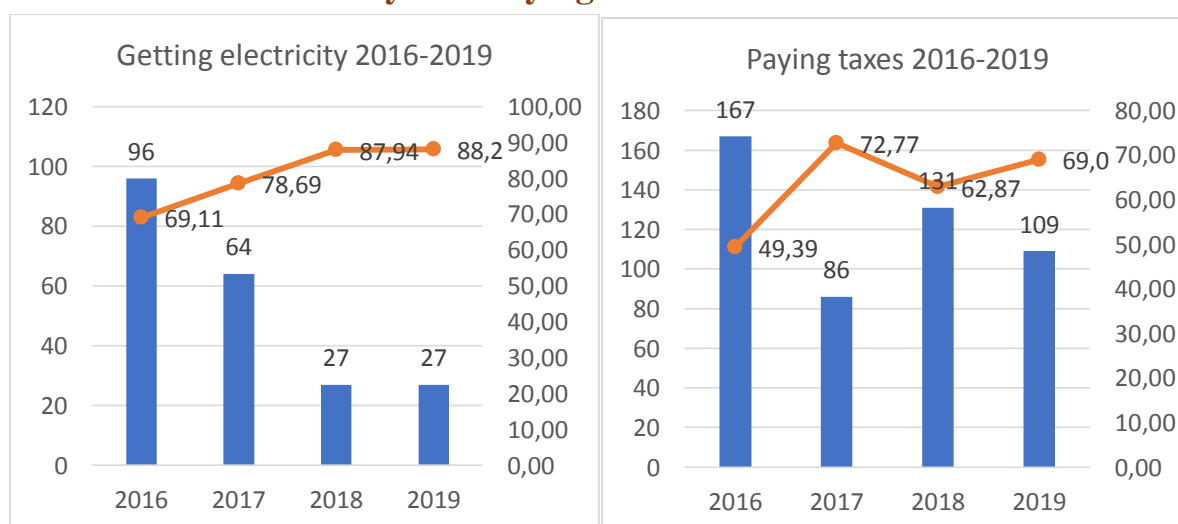
Figure 32. Vietnam Doing Business scores and rankings (2016-2019)



Source: World Bank, Doing Business Report (2017-2020)

Notably, Getting electricity increased by 69 ranks (from 96th in 2016 to 27th in 2019); Paying taxes and social insurance increased by 58 places (from the end of the rankings table, 167th in 2016 to 109th in 2019). This result reflects remarkable reform efforts from Vietnam Electricity (EVN), the Ministry of Finance and Vietnam Social Insurance (see Figure 13). In particular, the World Bank has continuously recorded reform process over the years in the Paying taxes and social insurance index.

Figure 33. Vietnam's Doing business indicators (2016-2019): Getting electricity and Paying taxes and social insurance

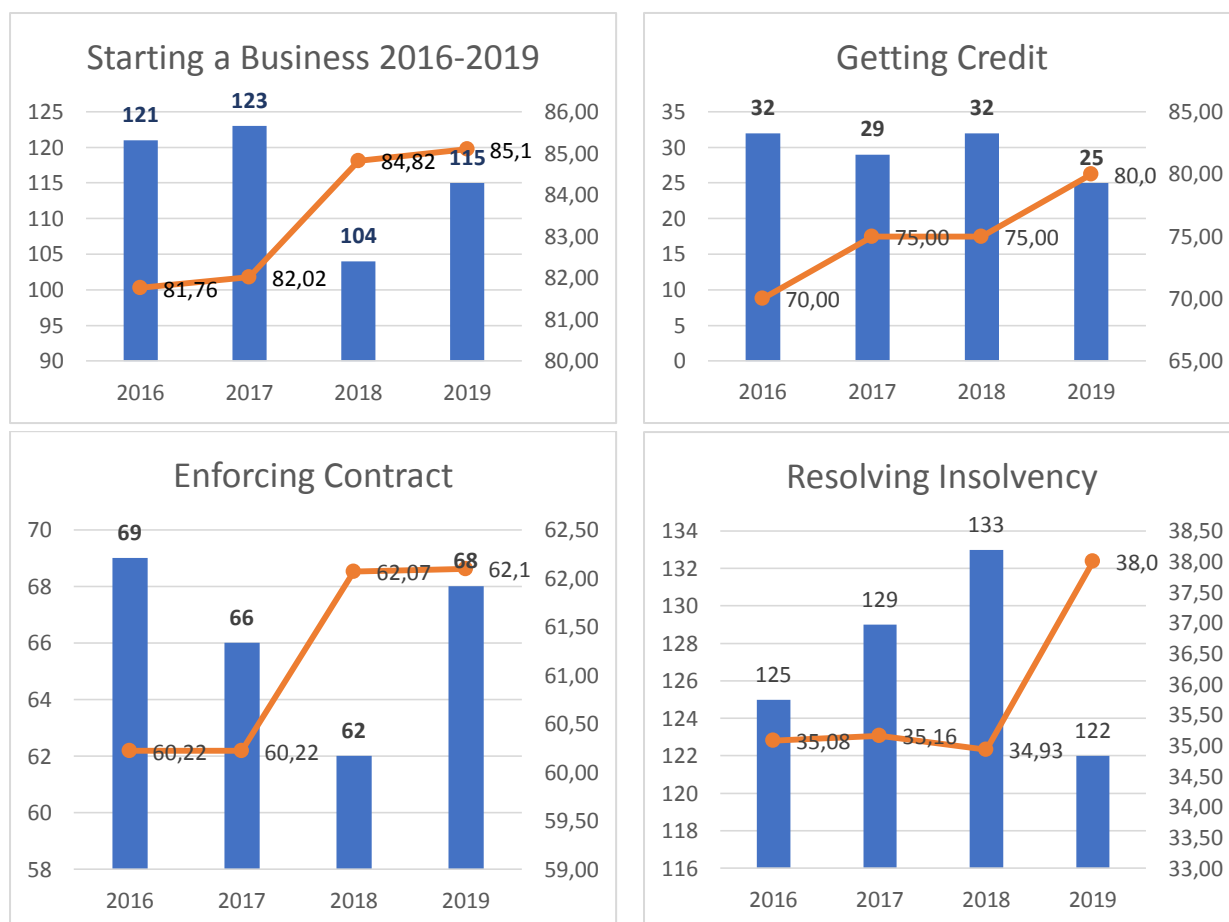


Source: World Bank, Doing Business Report (2017-2020)

Over four years, 04 Doing business' indexes has been increased in ranking thanks to reform efforts. These are: Starting a business (increased by 3.34 points and 6 ranks); Getting credit (increased by 10 points and 7 ranks); Enforcing

contract (increased by 1.88 points and 1 rank); Resolving insolvency (increased by 2.92 points and 3 ranks) (see Figure 14).

Figure 34. Vietnam's Doing business indicators (2016-2019): Starting a Business, Getting credit, Enforcing contract, Resolving insolvency



Source: World Bank, Doing Business Report (2017-2020)

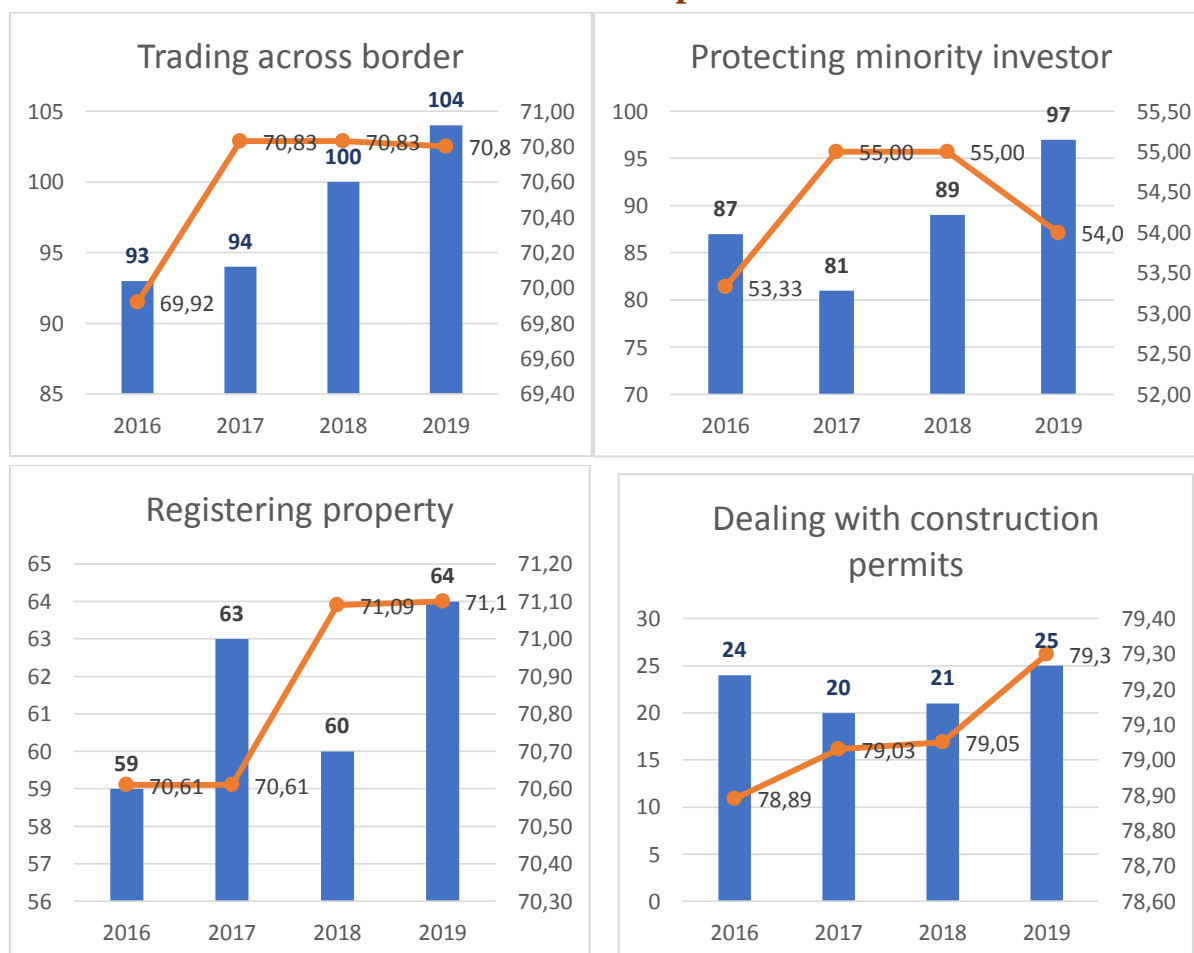
In particular, Getting credit index currently ranks high due to reform in improving the depth of credit information; improving the products and services quality, providing timely information to users; and building a Portal to connect borrowers. As a result, in the Doing Business 2020 report (published in October 2019), the World Bank gave Vietnam maximum score for the Depth of credit information (8/8 points); Credit registry coverage component is also improved to 59.4% (in 2019 it was 54.8%).

However, other three indexes (including Starting a business, Enforcing contract and Resolving insolvency), though upgraded over 4 years, are still at very low rankings and have plenty of room for improvement. Two indexes, Enforcing contract and Resolving insolvency, which are under the responsibility of the Court, have improved slowly and have not yet received the strong commitment from the Court. Notably, Resolving insolvency for many years was slow in reforming with

the low rate of enterprises restoring production and business and long time to carry out bankruptcy procedures. In ASEAN, Vietnam's ranking in this index is only above Laos.

Although Vietnam business environment improvement has been positively recognized by international organizations such as the World Bank, there are still 04 indexes decreasing in 4 years (2016-2019 including: Trading across border (increased by 0.88 points, but decreased by 11 ranks); Protecting minority investors (increased by 0.67 points, but decreased by 10 ranks); Registering property (increased by 0.49 points, but decreased by 5 ranks); Dealing with construction permits (increased by 0.41 points, but decreased by 1 rank) (see Figure 15).

Figure 35. Vietnam's Doing business indicators (2016-2019): Trading across border, Protecting minority investors, Registering property and Dealing with construction permits

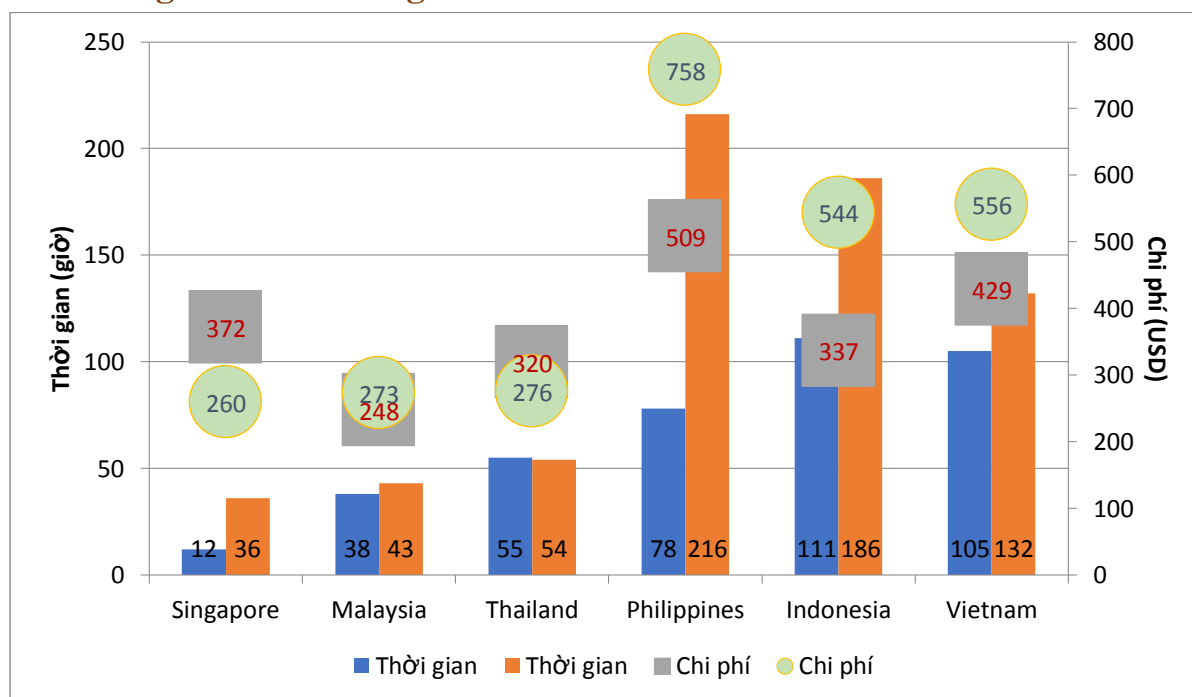


Source: World Bank, Doing Business Report (2017-2020)

The downgrade results do not mean that Vietnam lacks of reform, but because of the slow pace of reform, lack of coordination compared to other countries or inconsistencies in reform. Some indexes such as Trading across border

index, have been focused to improve over the years, in which specialized management and inspection for imported goods and connection to the National One-stop Window are the most important contents. Although specialized management reform efforts have been promoted since 2014-2015, until now, reforms have only been recorded in several areas (such as food safety and quarantine). Reforms are slow in other areas. Regulations in some areas (such as labor, invalids and social affairs) even created additional barriers for businesses. Therefore, the gap between Vietnam and other ASEAN countries is widening in this index (see Figure 16). Notably, the time to export and import in Vietnam are still longer than other countries in the region (the export time is only shorter than Indonesia, the import time is only shorter than the Philippines and Indonesia); Cost to export and import are higher than most countries in the region, only lower than the Philippines.

Figure 36. Trading across border index of Vietnam and ASEAN



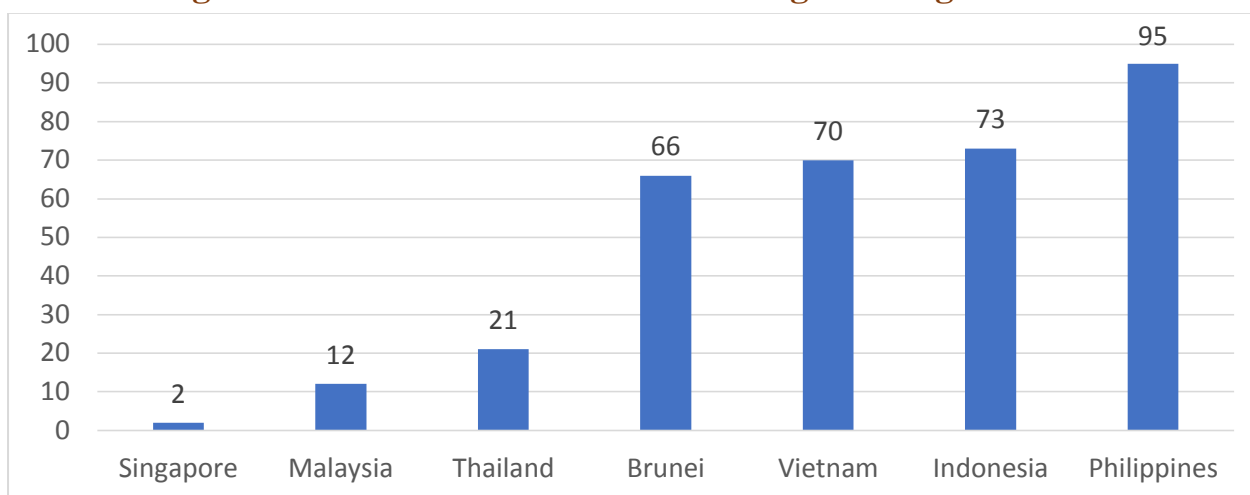
Source: World Bank, *Doing Business Report 2020*

In addition, for the Dealing with construction permit index, although Vietnam has a good rank (25th), there exists a big difference between regulations and practices. The long period to get construction permit (166 days) is a big obstacle for businesses. Therefore, improving the effectiveness of policy implementation is necessary to bridge the gap between documents and enforcement, ensuring that enterprises receive the real benefits of reform.

Vietnam has clearly improved business environment quality by increasing points in the indexes. Our reforms, however, are still very little and slow while

other economies' reforms are faster. Therefore, Vietnam's ranking has continuously decreased in the last 2 years (decreasing by 1 rank each year). For example, in ASEAN, Singapore maintained a stable position (2nd) since 2016; Malaysia has risen sharply and continuously in the last two years (increased by 12 ranks); Thailand accelerated sharply in 2017 (increased by 20 ranks) and increased by 6 ranks in 2019; After 3 years of strong and continuous improvement (in 2017 increased by 42 ranks compared to 2014), Indonesia ranking levelled off from 2018; The Philippines has increased by 29 ranks this year. This shows that other economies tend to reform faster than us. Within ASEAN, Vietnam ranks 5th, after Singapore, Malaysia, Thailand and Brunei (see Figure 17).

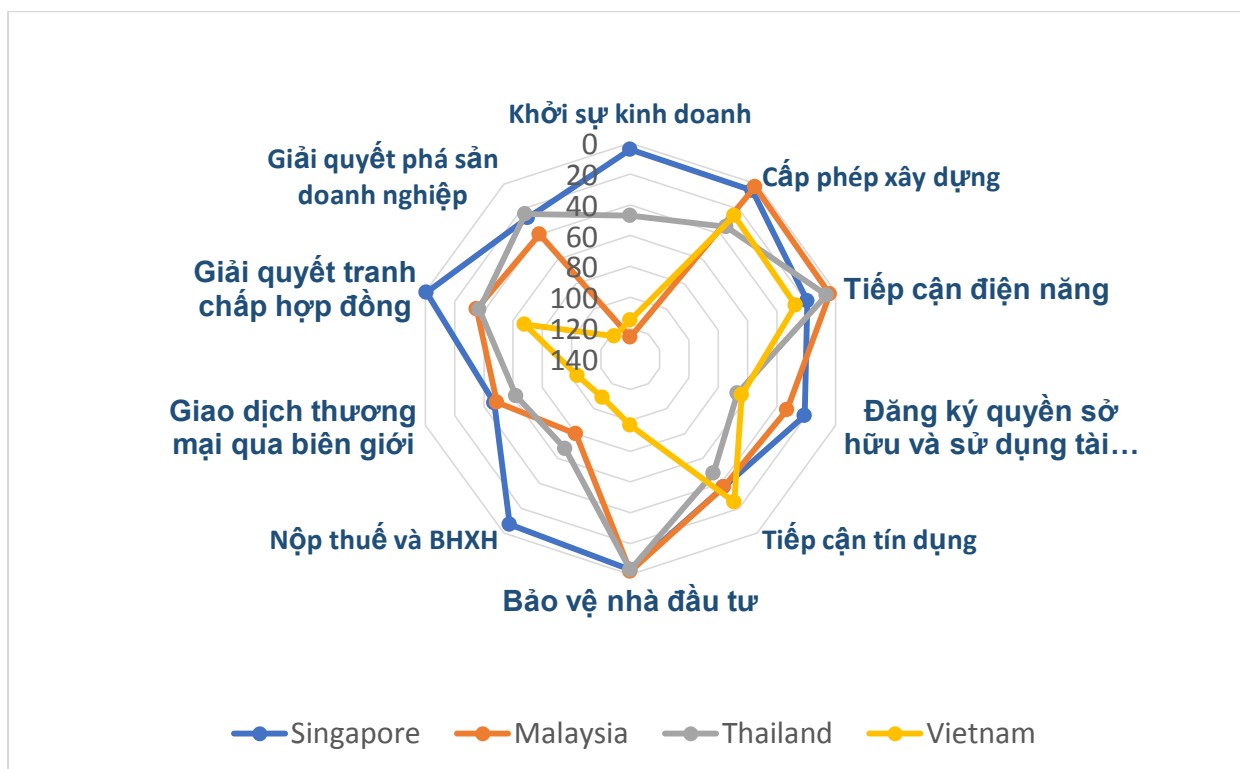
Figure 37. Vietnam and ASEAN ranking in Doing Business



Source: World Bank, Doing Business Report 2020

The above results show that even though the Government has shown many efforts and determination to reform, there is a lack of specific reform actions from ministries, branches and localities. Most components of our business environment are still far from Thailand, Malaysia and Singapore (see Figure 18).

Figure 38. Vietnam and ASEAN ranking of some components in Doing Business



Source: World Bank, Doing Business Report 2020

It can be seen that the room for making drastic reform of business environment in our country is becoming more and more difficult as other countries also advance in this race. Notably, in the two years of 2018-2019, business environment reforms in our country tend to slow down. According to the World Bank's record, there are largest number of business environment reforms in our country in 2017. The number of reforms, however, leveled off in the last 2 years (see details in Table 4).

Table 16: Business environment reforms that are recorded in Doing Business reports

Year	The number and content of reforms are recognized by the World Bank
2016	There are 03 indexes, of which reforms are recognized: 1. Protecting minority investor; 2. Paying taxes and social insurance; and 3. Trading across borders.
2017	There are 05 indexes, of which reforms are recognized: 1. Getting electricity; 2. Getting credit;

	3. Paying taxes and social insurance; 4. Trading across borders; and 5. Enforcing contracts (due to the implementation of the Civil Procedure Code and the application of voluntary mediation).
2018	There are 03 indexes, of which reforms are recognized: 1. Starting a business; 2. Paying taxes and social insurance; and 3. Enforcing contracts (due to court's judgment disclosure).
2019	There are only 02 indexes, of which reforms are recognized 1. Paying taxes and social insurance; and 2. Getting credit

Source: Summarized from World Bank, Doing Business Report 2017-2020

In 2019, our country's business environment increased by 1.2 points (from 68.6 to 69.8 points) with details of 10 indexes as follows:

- 5/10 indexes increased points (including Starting a business, Dealing with construction permit, Getting electricity, Getting credit, Paying taxes);

- 04/10 indexes remain the same (including Registering property, Protecting minority investor, Trading across border, and Enforcing contracts); and

- 01 index (Resolving insolvency) decreased by 0.1 point

Regarding components ranking:

– 03 indexes increased in ranking (Getting credit, Paying taxes, Resolving insolvency)

– 01 index maintains its ranking (Getting electricity)

– 06 indexes decreased in ranking:

- 02 indexes increased points but its ranking decreased: Starting a business (due to 1 day reduction) and Dealing with construction permit (due to the reduction of the official costs/infrastructure value ratio)

- 4 indexes decreased in ranking, no reform is recorded so the scores are unchanged including Registering property (decreased by 4 ranks); Protecting minority investor (decreased by 8 ranks); Trading across border (decreased by 4 ranks); và Resolving insolvency (decreased by 6 ranks).

The above analysis show that business environment components that need to be improved include:

- Starting a business: currently at very low rank;

- Dealing with construction permit: Although the index has high ranking, but need to integrate procedures and shorten implementation time;
- Registering property: time to register property is long no reform is recorded in many years.
- Trading across border: currently at very low rank. This index is related to many ministries and industries and greatly affects other activities such as logistics.
- Enforcing contract and Resolving insolvency: These two indicators currently rank low and very low (especially for Resolving insolvency), reflecting the inadequacies and slow reforms from the court, dragging back Doing Business ranking in our country. Therefore, the judiciary needs to be involved in reforming and improving the business environment.

2.3.2 Vietnam's business environment from corruption and informal costs indicators

International organizations such as the World Economic Forum (the GII 4.0), the World Bank (in the state governance ranking), the Heritage Support Fund and Wall Street Journal (in the economic freedom ranking), the Transparency International (in the Corruption perception index), all point out that corruption is one of the bottlenecks for Vietnam national competitiveness. According to the corruption perception index (CPI) from Transparency International's (TI) (ranked 180 countries and territories in 2018), Vietnam only got 33 points out of 100 points (0 is very corrupt and 100 is very clean), ranked 117th out of 180 countries. Recently, corruption has been recorded with better control, but the score is still low and still belongs to the poor governance group (according to the World Bank).

The evaluation results of international organizations are also consistent with the VCCI survey of provincial competitiveness (PCI). Accordingly, informal costs tend to decrease, but corruption is still a serious problem. In 2018, the "petty corruption" phenomenon - the small-scale cost that businesses have to pay to apply for licenses - has decreased compared to the previous period: only 54.8% of businesses pay informal costs, the lowest in the last 5 years. In addition, VCCI's survey also showed that the scale of unofficial expense payment tended to decrease. Notably, 39.3% of enterprises said that they paid unofficial payments to inspectors (51.9% in 2017 and 65.6% in 2014).

However, the indicators reflecting unofficial costs are still relatively high, thus, indicating the need for more persistent efforts from state agencies and the involvement of business community. Enterprises themselves need to improve their governance, comply with the laws, and at the same time strengthen the integrity of their own business and production activities.

2.9. Competitiveness from the ranking of some sectors

Resolution No. 02 focuses on improving the competitiveness of some sectors such as tourism and logistics. The evaluation results show positive improvements in these two areas.

a. Logistics performance index

Resolution No. 02 aims to raise the logistics performance index rank to 5-10 ranks. In 2018, our country's ranking increased sharply (25 ranks), from 64th to 39th with 6/6 indicators have outstanding improvement. The highest increase was Tracking and tracing shipments (ranked 34, increased by 41 ranks) and Logistic competence (ranked 33, increased by 29 ranks). Other indicators such as Customs ranked 41st (increased by 23 ranks); Infrastructure ranked 47th (increased by 23 ranks). The remaining two components are: Timeliness ranked 40 (increased by 16 ranks); and International shipments ranked 49 (increased by 1 rank compared with 2016) (Table 5). This evaluation is consistent with reforms in practices which aim to improve enterprises' capacity through the application of technology in logistics. The proportion of companies applying technology in logistic was 15-20% in 2015-2016, then increased to 40-50% in 2017-2018¹⁷. However, high costs are still the major obstacle for our country's logistics industry.

Table 17: Logistics Performance Index and its components

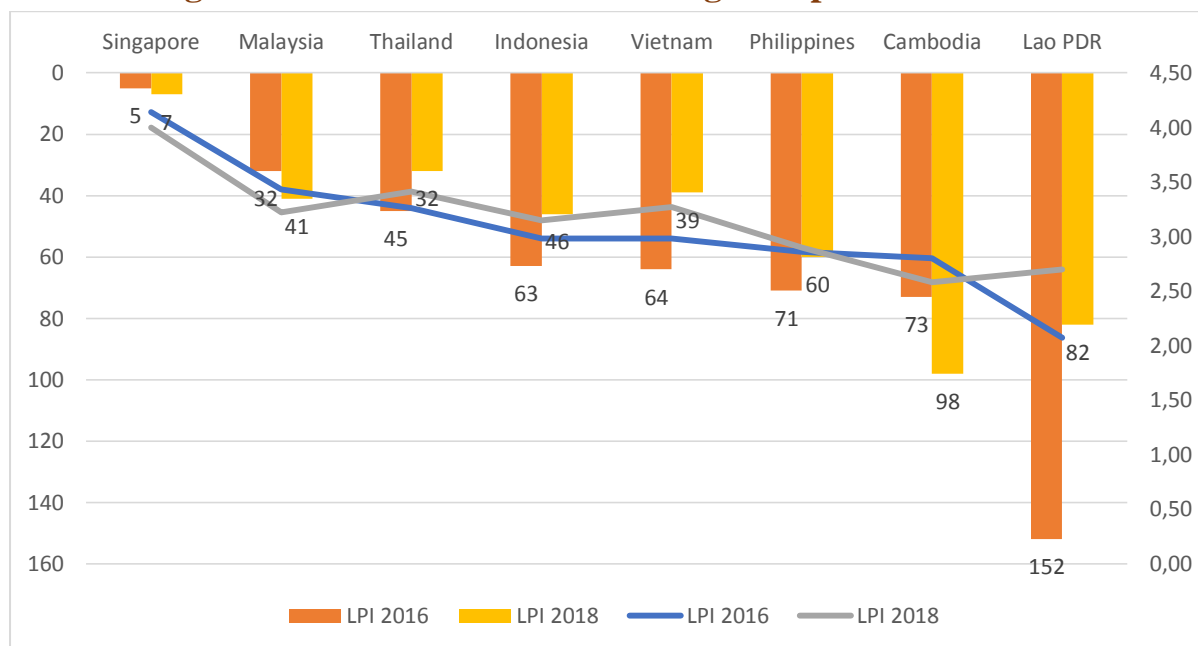
	2012	2014	2016	2018
Logistics Performance Index (LPI)	53	48	64	39
Customs (effectiveness of the clearance process, such as speed, simplicity, and predictability of procedures)	63	61	64	41
Infrastructure (relating to commercial and transport quality of ports, railways, roads, information technology)	72	44	70	47
International shipments (how easy it is to arrange for shipments with competitive prices)	82	49	62	33
Logistics competence (for example, transportation operator, customs broker)	39	42	50	49
Tracking and tracing	47	48	75	34
Timeliness (extent of assurance of the shipments time)	38	56	56	40

Source: World Bank, Logistics Performance Index 2012, 2014, 2016 and 2018

¹⁷ According to the survey results of Vietnam Association of Logistics Services Enterprises VLA (<http://logistics.gov.vn/nganh-hangthi-truong/chi-so-logistics-performance-index-lpi-cua-viet-nam-nam-2018-tang-25-bac>)

With this result, Vietnam ranked 3rd in ASEAN (after Singapore 7th and Thailand 32nd). Vietnam ranked first in emerging markets group (over Indonesia, Philippines and Laos) (Figure 19).

Figure 39. Vietnam and ASEAN logistics performance index



Source: World Bank, Logistics Performance Index 2016 and 2018

Vietnam also ranked first among low-middle income countries (Table 6)

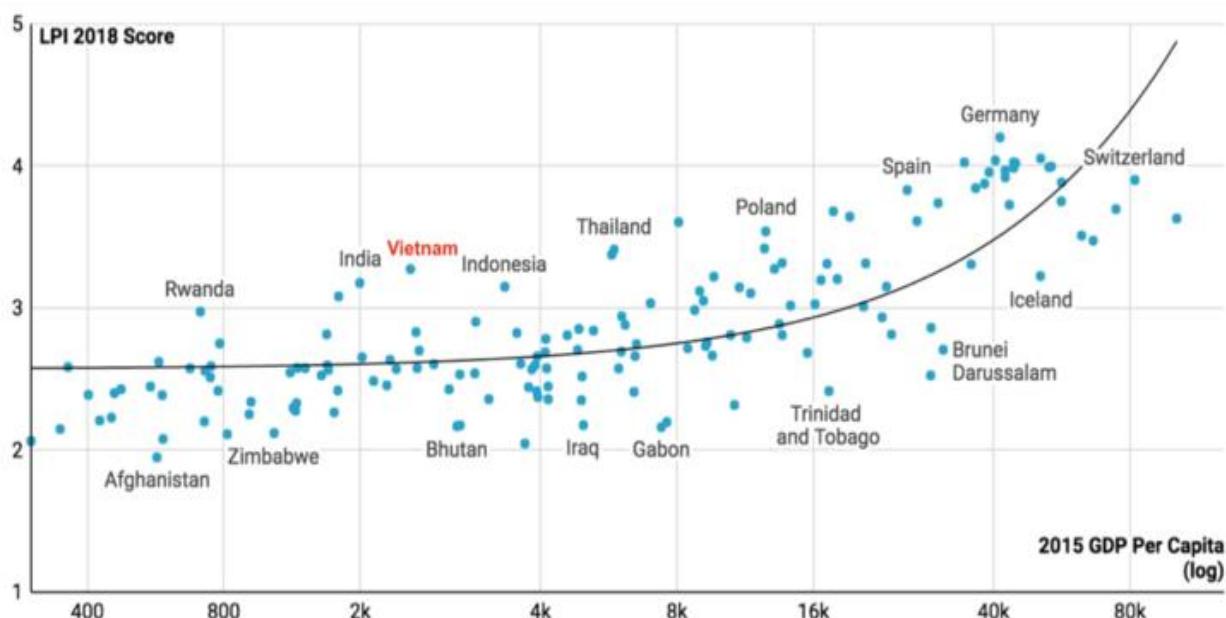
Table 18: Logistics Performance Index rankings of low-middle income countries

Economy	2018		2016		2014		2012	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Vietnam	39	3.27	64	2.98	48	3.15	53	3.00
India	44	3.18	35	3.42	54	3.08	46	3.08
Indonesia	46	3.15	63	2.98	53	3.08	59	2.94
Côte d'Ivoire	50	3.08	95	2.60	79	2.76	83	2.73
Philippines	60	2.90	71	2.86	57	3.00	52	3.02
Ukraine	66	2.83	80	2.74	61	2.98	66	2.85
Egypt, Arab Rep.	67	2.82	49	3.18	62	2.97	57	2.98
Kenya	68	2.81	42	3.33	74	2.81	122	2.43
Lao PDR	82	2.70	152	2.07	131	2.39	109	2.50
Jordan	84	2.69	67	2.96	68	2.87	102	2.56

Source: World Bank, Logistics Performance Index 2018

In addition, the World Bank also points out that Vietnam has better logistics service performance than other markets with similar income (Figure 20).

Figure 40. Correlation between GDP per capita and LPI



Source: World Bank, Logistics Performance Index 2018

According to the LPI 2018, Vietnam's LPI average score from four surveys (2012, 2014, 2016 and 2018) ranked 45th in the world. In ASEAN, Vietnam ranked 4th after Singapore (5th), Thailand (34th) and Malaysia (35th), above Indonesia and the Philippines.

Table 19. LPI average score of Vietnam and ASEAN countries from 4 surveys (2012, 2014, 2016 and 2018)

Countries		Vietnam	Singapore	Thailand	Malaysia	Indonesia	Philippines	Brunei ¹⁸
LPI average ranking		45	5	34	35	51	64	73
LPI average score		3.16	4.05	3.36	3.34	3.08	2.91	2.78
Customs	<i>Ranking</i>	51	2	37	38	62	70	61
	<i>Score</i>	2.86	4.00	3.13	3.06	2.69	2.62	2.70
Infrastructure	<i>Ranking</i>	54	5	41	33	61	71	77
	<i>Score</i>	2.92	4.14	3.17	3.30	2.81	2.67	2.59
International shipments	<i>Ranking</i>	45	8	32	30	51	39	84
	<i>Score</i>	3.15	3.72	3.40	3.43	3.08	3.20	2.74
Logistics competence	<i>Ranking</i>	40	4	35	34	48	64	84
	<i>Score</i>	3.17	4.08	3.29	3.34	3.07	2.80	2.64
Tracking and tracing	<i>Ranking</i>	44	8	35	38	45	58	75
	<i>Score</i>	3.23	4.05	3.38	3.32	3.23	3.01	2.82
Timeliness	<i>Ranking</i>	47	3	36	46	49	83	78
	<i>Score</i>	3.6	4.34	3.75	3.60	3.59	3.11	3.18

Source: World Bank, Logistics Performance Index 2012, 2014, 2016, 2018

¹⁸ No information in 2012, 2014

b. The Travel and Tourism Competitiveness

According to the World Economic Forum's assessment, in recent years, the Travel and Tourism Competitiveness Index (TTCI) of Vietnam has continuously increased in score and ranking (see Table 8). In 2019, Vietnam increased by 0.3 points and 12 ranks compared to 2015 (from 75/141 to 63/140) with 11/14 components increased. However, the assessment results also show that challenges for Vietnam TTCI are Health and Hygiene (91st), Environmental sustainability (121st) and Tourism Service Infrastructure (106th).

Table 20: Travel and Tourism Competitiveness Index and its components

		2015		2017		2019	
Number of ranking economies		141		136		140	
Score (1-7)		Score	Ranking	Score	Ranking	Score	Ranking
	Travel and Tourism Competitiveness Index (TTCI)	3.6	75	3.78	67	3.9	63
A.	<i>Enabling environment</i>	4.6	73	4.8	66	4.8	73
1	Business environment	4.4	66	4.4	68	4.4	67
2	Safe and security	5.3	75	5.6	57	5.6	58
3	Health and hygiene	5.0	83	5.0	82	5.0	91
4	Human resource and labour market	4.7	55	4.9	37	4.8	47
5	ICT readiness	3.4	97	4.2	80	4.3	83
B.	<i>T&T policy and enabling conditions</i>	3.7	112	3.9	105	4.4	79
6	Prioritization of Travel & Tourism	3.7	119	4.0	101	4.1	100
7	International openness	2.7	89	3.0	73	3.7	58
8	Price competitiveness	5.3	22	5.3	35	5.9	22
9	Environmental sustainability	3.2	132	3.4	129	3.8	121
C.	<i>Infrastructure</i>	2.9	94	2.9	91	3.1	87
10	Air transport infrastructure	2.7	68	2.8	61	3.4	50
11	Ground and port infrastructure	3.1	87	3.1	71	3.0	84
12	Tourist service infrastructure	2.9	105	2.6	113	2.8	106
D.	<i>Natural and Culture resources</i>	3.2	33	3.5	28	3.4	26
13	Natural resources	3.6	40	4.0	34	3.8	35
14	Cultural resource and Business travel	2.8	33	3.0	30	2.9	29

Source: World Economic Forum, Travel and Tourism Competitiveness Report 2015, 2017 and 2019

2.10. Business environment and competitiveness from the application of online public services and non-cash payment perspective

2.10.1. Current situation of applying online public services

From international organizations assessment, rankings from many indexes measuring online public services are constantly rising. For example, in the E-Government Development Index as well as the Global Innovation Index, the Online service component increased by 15 ranks in 2018 (see Table 9). The rapid improvement of this component contributes to the overall increase in rankings of Vietnam.

Table 21: Online public services ranking from the E-Government Development Index and the Global Innovation Index

	2016	2018
E-Government Development Index	89	88
Online Service Index	74	59

Source: United Nations, E-Government Report 2016 and 2018

	2016	2017	2018	2019
Global Innovation Index	59	47	45	42
Government's online service	78	72	72	57

Source: World Intellectual Property Organization, Global Innovation Report 2016-2019

Until the third quarter of 2019, the total number of administrative procedures is 126.887 procedures. From 2016 to now, the number of online public services at level 3 and level 4 has been increasing rapidly, of which online service at level 3 increased from 9.58% (in 2016) to 29.01 (in 2019); online service at level 4 increased from 1.21% (2016) to 9.12% (2019) (see Table 10).

Table 22: Implementation of online public services 2016-2019

Criteria	Level	2016	2017	2018	Q3/2019
Total administrative procedures		113.488	150.929	127.270	126.887
Online public services	3	10.872	20.810	26.734	36.804

	4	1.378	3.311	5.788	11.576
	Total	12.250	24.121	32.522	48.380
% online public services	3	9.58%	13.79%	21.01%	29.01%
	4	1.21%	2.19%	4.55%	9.12%
	Total	10.79%	15.98%	25.55%	38.13%
Number of online service generating documents	3	251 (46%)	2.634 (12%)	3.062 (11%)	5.700 (16%)
	4	258 (93%)	644 (19%)	1.377 (24%)	3.083 (27%)
	Total	509 (61%)	3.278 (13%)	4.439 (14%)	8.783 (18%)

Source: Ministry of Information and Communications

The implementation of interlinked administrative procedures has been actively conducted by a number of ministries, branches and localities, such as the Ministry of Planning and Investment in collaboration with the Ministry of Finance to carry out business and tax registration of cooperatives. Accordingly, the cooperative can carry out the procedures for granting cooperative registration certificates online; the certificate of cooperative will be concurrently the certificate of business registration and certificate of tax registration.

The percentage of online public services at levels 3 and 4, however, is still low, especially online public services at level 4 which is only about 9%. The reality shows that administrative procedures are implemented separately, lack of connectivity and in some cases overlap; the implementation is not efficient with the low rate of arising records (about 18%).

At the ministerial level, the proportion of online public services at level 3 and level 4 increased from about 27% in 2017 to 35.4% in 2019. In particular, the proportion of online public services at level 4 increased from 10.81% (in 2017) to 16.2% (in 2019) (see Table 11). Several ministries and agencies have actively implemented level 4 online public services. For example, from 2017 to the third quarter of 2019, the Ministry of Finance deployed 64 services; the Ministry of Transport deployed 52 services; the State Bank applied 22 services; the Ministry of Science and Technology deployed 17 services; Vietnam Social Insurance has applied 12 services.

Table 23: Implementation of online public services at ministerial level 2016-2019

Criteria	Level	2017	2018	Q3/2019
Total administrative procedures		5.199	4.666	4.858
Online public services	3	852	981	933
	4	562	700	787
	Total 3,4	1.414	1.681	1.720
% online public services	3	16.39%	21.01%	19.21%
	4	10.81%	15%	16.2%
	Total 3,4	27.2%	36%	35.4%
Number of online service generating documents	3	348 (42%)	405 (41%)	332 (35%)
	4	310 (55%)	512 (73%)	489 (62%)
	Total 3, 4	658 (47%)	917 (54%)	821 (48%)

Source: Ministry of Information and Communications

At the local level, some provinces and cities have solutions to improve the serving quality of public administrative procedures under the single-window mechanism (for example: Quang Ninh, Dong Nai, Da Nang has effectively promoted the public service call center for answering people and businesses).

Most provinces have upgraded the provincial public service portal or the electronic information system. Some localities have had both systems such as Dong Nai and Tay Ninh. Other localities can support people via zalo in implementing administrative procedures and monitoring results. In Quang Ninh, the number of provincial administrative procedures at level 3, level 4 reaches 84.6% (of which level 3 is 71%, level 4 is 13.6%); about 76% of administrative procedures and 19 departments, units use the second seal to solve administrative procedures following the principle “5 on the spot” at the Provincial center for Public Administration: “Receiving, appraising, approving, sealing, returning results immediately”; and deploy the second seal for judicial sectors and the Office of Land Use Right Registration at the local Public Administration Center. Quang Ninh also deployed the model of paperless meeting room, sending and receiving

documents via online network; inter-sectoral connection of online public services at 3 levels (province, district, commune); sending and receiving documents between government and party organizations and with digital signatures.

However, at the provincial and city level, the proportion of online public services at level 3 and 4 is still low (only at 17%) (see Table 12).

Table 24: Results of online public service at local level 2016-2019

Criteria	Level	2017	2018	Q3/2019
Total administrative procedures		145.730	122.604	122.029
Online public services	3	19.958	25.753	35.871
	4	2.749	5.088	10.789
	Total 3,4	22.707	30.841	46.660
% online public services	3	13.7%	21.01%	29.4%
	4	1.89%	4.15%	8.84%
	Total 3,4	15.58%	25.15%	38.24%
Number of online service generating documents	3	2.286 (12%)	2.657 (10%)	5.468 (15%)
	4	334 (12%)	865 (17%)	2.594 (24%)
	Total 3, 4	2.620 (11%)	3.522 (11%)	8.063 (17%)

Source: Ministry of Information and Communications

Currently, the National Public Service Portal has been built and operated to enhance the application of information technology in handling administrative procedures. The National Public Service Portal allows organizations and individuals to register account; provide single-sign-on function and user authentication mechanisms to perform administrative procedures at the provincial-level public service portal. However, this is not a service provider. Public services are still directly provided by ministries, branches and localities.

Although the applying level 4 online public services objectives has been included in the Action Plan of all ministries, branches and localities, the implementation is still slow with the low rate of arising records. The Government

advocates to promote e-Government, connecting between ministries, sectors and localities, but in reality, online public service is facing many obstacles and the implementation is not substantial. The cause of this situation is: (i) limitation of information technology infrastructure. Ministries, branches and localities face difficulties in hiring information technology infrastructure procedures and budget constraints for IT infrastructure; (ii) Lack of synchronizing database to make connection; (iii) Lack of legal framework for the application of online public services, especially the legal framework for digital signatures; and (iv) Different IT platforms from ministries and agencies; these platform are not integrated and connected, can not ensure the true meaning of online public services

2.10.2. Promoting cashless payment results

From 2016, the proportion of cash payment on total means of payment is, on average, about 12%. Non-cash payment transactions increased by 47% per year; Internet transactions increased by 45% per year in volume and 50% per year in value; Mobile transactions increased by 47% per year in volume and 141% per year in value (of which 11 months of 2019 increased by 186% in volume and 247% in value). In 2019, non-cash payments had many positive changes. Action plans of localities are focused on this content. According to a PwC survey of 27 countries, Vietnam is the fastest growing market for mobile payments in 2018 with the percentage of consumers conducting mobile payment in Vietnam increased from 37% to 61%..

These results clearly reflected the efforts of agencies such as the State Bank, Ministry of Finance, Vietnam Electricity Group, non-cash payment services organization, intermediary payment service providers... Some specific solutions and results on promoting non-cash payment are detailed below.

a) The State Bank is a good example in promoting non-cash payment:

(1) Reporting to the Government on the plan of allowing cash deposit into electronic wallet without via bank payment account; Setting a limit for the maximum amount of money deposited in an electronic wallet and monthly transaction value

- To create a full and complete legal framework for payment service, to meet the development of market intermediary payment services and state management, the State Bank issued Circular 23/2019/TT-NHNN dated November 22, 2019 amending and supplementing a number of articles of Circular 39/2014/TT-NHNN dated December 11, 2019 on guiding the intermediary payment services. In which, the State Bank amended regulations on e-wallet

services; stipulated the maximum limit for transactions via personal e-wallets of 1 customer at 01 e-wallet service provider (VND 100 million/month).

- Drafting Prime Minister's Decision on piloting Mobile-Money. Using Mobile-Money instead of cash will make consumers' payment simpler and more convenient; consumers can pay for goods and services anytime, anywhere with mobile devices connected to the Internet, especially in the context that Vietnam has a high number of mobile subscribers, creating favorable conditions for development of non-cash payments.

(2) Requesting commercial banks and intermediaries to apply QR code base standard to ensure the compatibility between payment solutions based on QR codes. The State Bank also request payment service providers and intermediary payment services to actively and proactively apply QR Code Base Standards when deploying payment services, intermediary payment services via QR Code; require organizations providing financial switching and clearing services to actively build infrastructure to support the connecting and deploying payment applications based on interlinked QR Code standards to all customers.

(3) Coordinating with the Ministry of Finance to produce the list of transactions required to be paid through banks; to research and propose the Government to amend the incentive non-cash payments provisions for transaction on real estate. Currently, a detailed list of transactions required to be paid through banks is now posted on the State Bank's web portal.

(4) Actively drafting a Decree on amending and supplementing a number of articles of Decree No. 222/2013/ND-CP on cash payment, creating a legal basis payment services activities.

(5) Guiding payment service providers and intermediary payment service providers to actively coordinate with relevant ministries, localities and agencies to deploy non-cash payment services, electronic payment applications for online public services at level 4. Until now, 50 banks have agreed to coordinate with tax, custom authorities on electronic tax collection; 27 banks and 10 intermediary payment service providers can collect electricity charges. EVN's revenue from electricity bill payment via banks is nearly 90%. 100% of medical examination and treatment facilities under the Ministry of Health have begun to deploy a scheme in cooperation with banks to collect medical treatment fees.

(6) Implementing the exemption and reduction of switching service fees: In 2019, to support credit institutions to provide payment services and to strongly promote non-cash payment in the economy, Vietnam National Payment Joint Stock Company (NAPAS) has adjusted the fee for financial switching services,

electronic clearing for transactions on ATM and fast money interbank transfer 3 times¹⁹.

With these efforts, many positive results are achieved in 2019; infrastructure and technology are invested and improved; security and safety of the cashless payment system is ensured and strengthened; electronic payment services and its facilities have been strongly developed and diversified with many new products and means to meet payment needs in the economy, specifically:

- By the end of November 2019, the total number of transactions via inter-bank electronic payment systems reached over 146,000 thousand transactions, equivalent to over VND 87,590 trillion (increased by 17.77% in total amount and 32.49% in transaction value over the same period). The average number of transactions reached over 634 thousand transactions per day, the average transaction value reached over 380 trillion VND per day.

- Technical infrastructure and technology for non-cash payment, especially electronic payment, continue to be invested and expanded. By the end of October 2019, the whole market had 18,958 ATMs and 282,920 POS (card payment) installed. Payment infrastructure of many banks are intergrated, available for cashless payment and, in practices, supports non-cash payments for most transactions of electricity, telecommunications, customs, tax sectors... and continue to expand to other goods and services providers in the economy, including public service providers.

- Payment activities have been expanded in both scale and quality. Modern payment applications and modern products and services has brought many experiences and benefits to customers. Until now, there are: over 78 organizations deploying payment services via Internet and 47 organizations providing payment services via mobile phones; There are currently more than 50,000 locations accepting payment via QR Code. By the end of October 2019, the number of financial transactions via Internet reached more than 345 million transactions with total transaction value of about 17.7 million billion VND (an increase of 67.7% and 36.5%, respectively compared to 2018); the number of financial transactions

¹⁹ Specifically: (i) a 13% reduction for 24/7 interbank money transfer service fee for the issuing organization; (ii) a 70% and 100% reduction respectively of service fees for ATM withdrawals for Issuers and Payment Organizations; (iii) no service charge (the fee is equal to 0 dong) - 100% reduction of fees for internal transfer services and non-financial transactions, including information inquiry, statement printing, battery exchange for Member Organization NAPAS.

In addition, to support credit institutions to encourage customers to pay by domestic cards and to pay via bank accounts, NAPAS continues to implement a promotion program to reduce 50% of service fee for ATM transactions and 24/7 interbank transfers between October 3, 2019 and December 31, 2019, apply to all NAPAS member organizations.

via mobile phone reached nearly 410 million with total value of more than VND 4.3 million (increased by 186% and 221% compared to the same period of 2018).

Payment via QR Code is a new form of electronic payment, but it has also achieved a good growth. By the end of October 2019, the number of transactions via QR Code of the banking system reached more than 5.32 million transactions with total value of 7.7 billion VND, of which the average growth rate over the first two quarters of 2019 reached 64.3% in quantity and 63.5% in value.

b) To achieve non-cash payment objectives, the Vietnam Electricity Corporation has made a written request to provincial People's Committees to request agencies receiving salaries from the state budget, state-owned enterprises are managed by provincial People's Committees to encourage officials and employees to pay electricity bills by non-cash payment methods such as automatic debt deduction, SMS and mobile banking, internet banking, electronic wallets and online payment on electricity websites...

On December 12, 2019, EVN officially provided e-contracts, bringing power services closer and more convenient to all electricity customers throughout the country. This solution of the Vietnam Electricity Corporation has caught up with 4.0 Science and Technology Revolution trend, in line with the Government's policy of modernizing public services and reforming administrative procedures, speeding up the construction of a digital economy, bringing convenience to customers and ensuring transparency. EVN's strong efforts in reforming the application of electronic transaction methods have been recognized and highly appreciated by the people and business community.

c) At the local level, several major provinces and cities have been actively implemented non-cash payment solutions, especially in Hanoi and Ho Chi Minh City. Hanoi, Ho Chi Minh City has simultaneously applied non-cash payment methods in collecting fees at public schools and developing payment methods in health sector, reducing people's time and expenses. At the Quang Ninh Public Administration Center, citizens and businesses can choose one of four forms, including: Online payment (Internet Banking), card payment (POS), payment via QR code and payment by cash.

Despite many efforts to promote non-cash payments (as mentioned above), the ratio of cash payments to total means of payment is still quite high (about 12%). Meanwhile, according to the Prime Minister's proposal to develop cashless payment in the period of 2016 – 2020, the Government's target of cash payments is less than 10% by the end of 2020. In additions, up to 90% of card transactions are just withdrawals at ATMs and only the remaining 10% is used to pay via POS.

These facts show that the majority of Vietnamese people still have cash using habit. Despite the strong growth of e-commerce, cash payment transactions still account for about 80% over the years. Besides, some public services have not applied electronic transactions such as: Ministry of Labor - Invalids and Social Affairs (in payment of allowances); Ministry of Public Security (in handling administrative violations in the field of traffic safety) Regarding e-wallet payment services, the domestic enterprises involved in this payment method are still limited; The main market share is of foreign-invested enterprises (accounting for 68% of the market share). Remarkably, there is also a legal gap on non-cash payments, such as new payment services - cross-border payments, mobile money (Mobile Money).

CHAPTER III. SOME RECOMMENDATIONS TO IMPROVE THE BUSINESS ENVIRONMENT AND COMPETITIVENESS

3.3. Some suggestions on improving business environment indicators

Business environment is a group of indicators that are assessed and measured in most competitiveness rankings. Favorable business environment contributes to reduce costs and risks for businesses, and encourages and creates trust for businesses. The sustainable development of enterprises contributes to creating job opportunities, increasing income, and thereby the economic growth and prosperity of the economy.

Obviously, Vietnam has improved in the quality of its business environment (through increasing points), but it is still very weak and slow; while other economies have faster and stronger reforms. In the last two years, Vietnam's business environment reform has tended to slow down and be more challenging with many indicators for many years not improving or improving very slowly. Therefore, it is more difficult to achieve the Government's goal into ASEAN 4. The Prime Minister expressed many efforts to reform, but the realization of the action by the reform of ministries and localities are limited. Therefore, in order to strongly improve business environment, create trust among people and businesses in the Government, promote investment, job creation, income and sustainable growth, some reform principles need to be verified as below:

(1) Reform must first of all from management thinking, reform in the direction of developing businesses. Therefore, the ministries, branches and localities must pay the attention and participation in a synchronized, strong and substantive manner.

(2) Replicate reform initiatives and modern management methods in accordance with good international practice.

(3) Related ministries and branches need to pay close attention and guidance to indicator that have not improved or improved slowly over many years; amend regulations to make changes. In addition, it is necessary to carry out monitoring and adjustment to ensure transparency, creating trust for people and businesses for the indicators that also have a big difference between regulations and enforcement (such as construction permits). In particular, the two judiciary indicators, especially bankruptcy - at the bottom for many years - the involvement of the judiciary is required to make a significant change in these indicators.

Business environment indicators are designed according to the life cycle of enterprises, including from the establishment to dissolution and bankruptcy. The

room to reform is different between indicators, but basically the combination or implementation of procedures and the shortening of time in each procedure will contribute to raising points and ranking of indicators. The following section details some specific solutions to improve some related indicators.

3.3.1. Reform on starting a business

Over the years, Vietnam has made great strides in expanding and ensuring business freedom for people and businesses. Business registration procedures have been continuously reformed, simplified, keeping up with good international practices. However, the time to conduct procedures for starting a business is still long, the rankings are still low. In the coming time, it is necessary to focus on the following specific solutions: (i) Combine business registration procedures with procedures, including: Open a bank account, make a company seal and submit a notification of the seal-sample to business registration authorities; (ii) Ensure the implementation of regulations on external/internal invoice printing procedures within 4 days as prescribed; promote the use of electronic invoices; (iii) Linking procedures for labor declaration, social insurance registration to the system of business registration agencies.

3.3.2. Getting credit reform

According to the World Bank, in general, Vietnam's getting credit score is higher than the average level of East Asia and Pacific countries. However, outstanding issues need to be improved to increase the score and ranking of the getting credit index. In particular, focusing on issues related to Vietnam's legal power strength index - the current legal status of security transactions, bankruptcy and issues related to credit information depth index, including policies that allow utility service providers (such as electricity and water, communication networks, ...) providing, sharing information about customers' transaction history to credit companies.

Based on the methodology of the World Bank as well as recommendations in the standard code of the United Nations Commission on International Trade Law (UNCITRAL) on Guidance on secured transactions²⁰ and corresponding regulations of some countries achieved absolute scores on getting credit; Guide on Insolvency Law²¹; General Principles for Credit Reporting²² and Credit Reporting

²⁰ UNCITRAL Legislative Guide on Secured Transactions is developed by United Nations Commission on International Trade Law - UNCITRAL

²¹ Legislative Guide on Insolvency Law – 2011- UNCITRAL

Knowledge Guide ²³. Some solutions to improve Vietnam's getting credit index are as follows:

(4) Proposing to improve the security transaction registration system:

The Ministry of Justice is responsible for reforming this content. Accordingly, the ministry should implement the following solutions:

- Continue to review the overall, evaluate the meaning of the registration of security transactions. When the security transaction registration is considered a right of the secured party, the dossier and procedures for carrying out the security transaction registration should be simplified and facilitated for the secured party to exercise its rights and protect the rights of the creditors as well as prevent risks to creditors coming later.

At the same time, the decree guiding the security transaction registration needs to be amended in the direction that the dossier only includes basic information on security transactions and related parties, it is not necessary to provide evidence of underlying transactions - secured transactions; provide instructions on applications for registration, amendment, supplementation and cancellation of security transactions as well as the process of requesting online information lookup, ensuring that the person requesting registration for secured transactions and the representative as well as who need to look up information on security transactions can take steps and get results quickly, least costly and most effectively.

- Research, proposes to amend regulations on security transactions in the Civil Code 2015 on contents related to the objects of security transaction registration towards all security measures can be registration of security transactions.

(5) Proposal to improve regulations on the protection of creditors' rights:

The law on security transactions and the law on bankruptcy of Vietnam only stipulate the permission to handle security assets which are likely to be destroyed or significantly reduced in value, although decisions on suspension of handling requests of enterprises and cooperatives related to property obligations are issued. However, Vietnam's bankruptcy law does not set out the principle that a creditor with a guarantee has the right to be "released" from the suspension after a certain period of time. Therefore, it is recommended that the Ministry of Justice continue to study and identify mechanisms to protect the rights of creditors, minimize the

²² General Principles for Credit Reporting – 2011 – World Bank

²³ Credit Reporting Knowledge Guide – 2012 - IFC

effects of bankruptcy processes and procedures on the enforcement of creditors' rights. Specifically:

- Provisions on minimizing the period of temporary suspension in order to carry out the handling of security assets, especially when the debtor is in the restructuring phase. In any case, the debtor was put under liquidation business, the duration of suspension period is considered reasonable ²⁴, this time is sufficient for the administrator to perform his/her task in assessing the total assets of the debtor. If the security property is not necessary for the sale of businesses, the temporary suspension period should be lifted so that the secured creditors take the initiative in handling security assets.

- Remove the temporary suspension period. In the case, the value of the debt obligations guaranteed by the creditor requires the debtor to perform the payment obligation larger than the value of the security properties or when the security properties are in danger of being reduced in value, or when in the restructuring phase of the business, the restructuring plan is not approved within the time allowed, secured creditors may request the suspension of the suspension period be removed. Security assets should be transferred to the secured creditor for processing.

(6) Proposal to improve documents related to depth of credit information:

According to the World Bank, the source of credit information in Vietnam is not sufficient; information from utility companies (such as telecommunications, electricity, water, etc.) has not been collected. This limitation is due to inadequacies in the relevant laws, namely:

(i) The Civil Code, the Law on cyber information security, the Law on Protection of consumer's rights and some specialized laws require utility companies to ensure customer's information confidentiality (telecommunications law, ...). Therefore, these businesses are still concerned about the legality of providing customer information to the Credit Information Center (CIC).

(ii) The law does not specify the provision of information for CIC, the provision of information is currently only possible with the consent of the customers. Therefore, utility companies must add terms in the contract with customers to allow information sharing with CIC. This makes difficult for businesses and costly in re-signing service contracts with customers.

(iii) The quality of information from utility companies is limited. Many people who use the service are not the owners of the service contract, the status of

²⁴ Specific time periods also require research to ensure fairness but do not affect the time taken to resolve the rights and interests of the parties that may be involved, especially when assets are used to ensure security for many obligations, many transactions, many different subjects

junk SIM has not been completely dealt with. Therefore, updating this information will affect the overall quality of the CIC data warehouse.

Some solutions need to be taken to achieve the maximum score of credit information depth as follows:

- Assign related ministries and agencies to study and amend specialized laws and submit to the National Assembly in the direction of allowing utility companies to provide customer's information to public and private credit information centers in Vietnam.

- If it is not possible to amend the above-mentioned specialized laws, the National Assembly and the Government are requested to assign the related ministries and agencies to study and formulate the Law on Data Protection, including the sharing of information of utility companies.

- In the immediate future, the Government requires the related ministries (Ministry of Information and Communications, Ministry of Industry and Trade ...) to direct utility service companies to share information with CIC, in which the provision of sharing permission should be supplemented.

3.3.3. Facilitate trading across borders

In the context of extensive international economic integration, trade facilitation and the promotion of trading across border is one of the key issues to be carried out to ensure new-generation free trade commitment. Therefore, the specialized management and inspection reform should continue to be focused. Some specific solutions include:

- (1) Ministries and agencies should fully implement the principles of specialized management and inspection, including: (i) applying risk management principles based on assessment and analysis of the compliance of enterprises and the level and size of risks of goods; (ii) strongly shifting to post-inspection; (iii) transparency of the list of specialized inspection items and HS codes; transparency of management regime and costs; (iv) applying online public service level 4; connecting and integrating synchronously into the National Single Window portal for administrative procedures.

- (2) The Government shall direct ministries to immediately implement the following solutions:

- Reviewing, reducing and simplifying administrative procedures on management and specialized inspection of export and import goods; fully and publicly announce the relevant administrative procedures on the website of the specialized ministry.

- Reducing the list of goods subject to specialized management and inspection in the direction of abolishing the management and specialized inspection activities which are not necessary or have no managerial significance; fully applying risk management principles based on the risk level of the goods and the level of compliance with the law of the business.

- Coordinate to ensure the focus of a single focal point in performing specialized management and inspection procedures. Researching on reforming specialized inspection activities in the direction of assigning customs offices to examine dossiers of goods subject to reduced inspection (dossier examination) and act as a focal point for specialized inspection of with some items (specialized management sets perform post-inspection).

- To fully connect the administrative procedures on specialized management and inspection into the National Single Window, the ASEAN Single Window. Ensuring effective and practical implementation; by the end of 2020, ensure a quarter of the connected procedures for online implementation of level 4.

3.3.4. Reform procedures for registration of property

Property registration in Vietnam is a procedure that has not been recorded in reforms for many years. Therefore, the related ministries, especially the Ministry of Natural Resources and Environment and Finance need to take an active and urgent action to reform procedures for registration of property. Accordingly, the two ministries should research and coordinate to complete the procedures of tax payment and property registration to shorten the time for people and businesses.

3.4. Some solutions to adapt and take advantage of opportunities of Industry 4.0

3.4.1. Some solutions to promote non-cash payments and online public services at level 4

Non-cash payment and online public services at level 4 are an important solution to create a favorable and transparent business environment, adapting to the industrial revolution 4.0 (IR 4.0). Some recommendations are as follows:

- Provide online public services at level 4; allow people and businesses to pay by various means (online transfer, bank card, e-wallet combined with QR code, ...).

- Thoroughly remove difficulties and obstacles for telecommunication enterprises in licensing the 2.6GHz band to deploy 4G network; to ensure that telecommunications enterprises can compete in the auction and licensing bands strictly according to the provisions of law.

- Develop plans and implement 5G coverage; encourage businesses to invest in expanding national high-speed fiber network and increase international internet bandwidth by developing credit policies.

- Build an internet highway for multi-user services, such as public administration services, health services, education and other services; connecting state agencies, public organizations, to facilitate the exchange and sharing of documents, data, ...

- Focus on investing with different capital sources, innovating ways to quickly build 6 national databases specified in the Prime Minister's Decision No. 714 / QD-TTg of May 22, 2015 issued the list of national databases requiring priority development to establish the base for e-government development; building other databases serving management and business (driving database, public investment project database ...).

- Complete the legal gap on non-cash payments; research to allow cash deposit into electronic wallets without a bank account; Set a limit for the maximum amount of money deposited in an e-wallet and the monthly transaction amount²⁵ if necessary, on the basis of electronic customer identification solutions (eKYC).

- Request commercial banks and mobile payment companies to develop a roadmap to apply QR Code Base Standards to ensure compatibility between payment solutions based on QR Code.

- Create a favorable business environment, promote domestic enterprises to compete in the field of providing switching services and non-cash payment services.

- Review, amend and supplement regulations on financial mechanisms to allow administrative, non-business organizations and enterprises to be paid service charges for electronic payment services.

- Develop policies to encourage electronic payments by allowing deduction of taxable income for electronic payments within a reasonable period of time

- Ministries in collaboration with the State Treasury, banks, companies providing mobile payment services so that people who are administratively sanctioned can pay fines by mobile payment applications; ensure electronic receipts generated by mobile payment applications are as valid as paper receipts.

²⁵ Currently, according to the provisions of Circular 39/2014/TT-NHNN, incorporated in Document 49 / VBHN-NHNN dated November 9, 2016, the deposit or withdrawal of e-wallets must be done via bank account (Article 9). This provision makes many people without bank accounts unable to use e-wallet services, hindering the implementation of the goal of non-cash payment and financial inclusion. Meanwhile, many countries around the world allow people to have mobile e-wallet accounts without having a bank account.

- Develop regulations and implementation plans so that state agencies and enterprises can exploit the Residential Database for the purpose of providing online public services and personal identifiers in financial transactions.

- Pay pensions, social insurance allowances through bank accounts with the goal of doubling the number of people receiving pensions and social insurance benefits with bank accounts in urban areas.

- Payment of benefits through bank accounts, especially in urban areas.

- Establishing and putting into operation the National Public Service Portal, ensuring synchronized data exchange, standardization and identification of administrative procedures uniformly applied across the country, connecting to the Public Service Portal, electronic one-stop information system of ministries, branches and localities; establishing a national database on administrative procedures; setting up a system to receive and respond to feedback and recommendations from people and businesses.

- Building a common socio-economic information system for the Government; digitizing, connecting and sharing data of ministries and localities to improve the quality of state management activities, creating data sources for research and business.

- Presidents of the People's Committees of provinces direct the implementation of: (i) Upgrading of local public administrative service centers; (ii) Promulgating plans and direct provincial-level departments and People's Committees to provide online public services under the settling competence of directors of provincial-level Departments, branches and presidents of People's Committees. district at level 4; (iii) Allocating state funding for using electronic payment services in the provision of public administrative services; promulgating decisions on coordination between departments, sectors, between departments and district-level People's Committees and standardize dossiers and processes to ensure the provision of one-stop inter-service and provision of public services level 4 for public administrative services under the jurisdiction of the Chairman of the provincial People's Committee; (iv) Requesting 100% of schools, hospitals, electric companies, water supply and drainage companies, environmental sanitation companies, telecommunication and post companies in urban areas to build payment systems. no cash, prefer payment solutions on mobile devices, such as electronic wallets

3.4.2. Perfecting institutions to promote innovation

- Researching to perfect institutions to flexibly use financial instruments as leverage for scientific and technological development and application; continue

researching and perfecting the tax law to ensure that both encouraging talents to dedicate and enterprises to respect talents in the field of information technology and ensuring the right and full collection of income tax of enterprises and individuals, who benefit from the application of achievements of IR 4.0; ensure fairness in the management and implementation of tax policies between domestic enterprises and foreign businesses.

- Reviewing, amending and supplementing institutions and laws for new business models (such as e-commerce, sharing economy, financial technologies, digital banking technology). The establishment of institutions for new business lines must ensure openness, encourage innovation and suitability to the risks level of each specific business activity. Research and develop a regulatory sandbox for new business lines to create a legal corridor for innovative products and services.

- Reviewing and amending institutions on venture capital investment and angel investment in the direction of maximizing facilitation of capital contribution, share purchase, merger and acquisition of technology enterprises

- Urgently complete the regulations on transactions and management of digital assets; promote non-cash payment, contribute to creating a transparent payment system and preventing corruption and negative actions.

3.4.3. Human resource development

(1) Improving the quality of higher education programs for IR 4.0

- Applying innovative solutions ²⁶ to quickly increase the number and quality of training programs on IT and technical sciences, especially in Cyber Security, Big Data Analysis, Artificial Intelligence, Block-chain, Communications and Entertainment, Simulation, Automation, Cybernetics, Precision Engineering ...; adjusting curriculum and shortening the training time of some technical undergraduate programs; focusing on intensive skills training combined with practice, associated with market demand; developing training programs at college and university levels in a multidisciplinary direction to train general skills including digital - manufacturing - management.

- Innovating training programs towards reducing theory, increasing practice, English skills and practical work skills; innovating training methods towards using digital technologies to improve training quality and facilitate learners.

- Encouraging universities and research institutes to set up or enter into joint ventures with enterprises to establish science and technology enterprises, thereby facilitating the commercialization of research results and improve training quality.

²⁶ Some creative solutions that need to be encouraged are e-Learning, in-company training according to the program approved by the competent authority, etc.,.

- Selecting a few higher education institutions with strong potential in training human resources for IR 4.0 to invest in facilities, specialized laboratories and interdisciplinary laboratories for training purposes and scientific research.

(2) Improve the quality of vocational training programs for IR 4.0 and support skills training for job transition

- Encouraging vocational training institutions to associate with enterprises to organize training programs to supplement and improve skills for workers, in line with the needs of enterprises in the process of technological transformation; The State provides financial support for workers wishing to train new skills to change jobs.

- Reviewing, amending and cutting down regulations on conditions for setting up non-public training establishments to encourage and facilitate domestic and foreign private participation in vocational training; promoting the establishment of vocational training institutions in the field of technology 4.0, meeting the demand for the quantity and quality of labor with skills necessary for IR 4.0.

- Giving autonomy to vocational training institutions, combining with strengthening community supervision and improving accountability, putting pressure on training institutions to improve training quality, thereby improving the quality of human resources; prioritizing the implementation with technical industries necessary for IR 4.0

(3) Support and encourage enterprises to apply technology and innovation

- Building some smart factory models to introduce and propagandize to enterprises about the benefits of applying technology of IR 4.0; promoting state-enterprise cooperation to carry out this activity.

- Using of state science and technology development funds, small and medium-sized enterprise support funds to partially fund human resource training and technology consultancy activities of small and medium-sized enterprises; prioritizing projects on research, development and application of technology, including the participation of enterprises and research facilities, and science and technology experts.

- Supporting enterprises, especially small and medium-sized enterprises to participate in domestic and international e-commerce.

CONCLUSION

Over the past years, improving the business environment and competitiveness have been a priority focus of the Government. The Government has implemented many actions, notably the continuous promulgation of Resolution 19/NQ-CP on improving business environment (from 2014-2018) and Resolution 02/NQ-CP (2019-2020). With the continuous efforts of the Government, the business environment and competitiveness of Vietnam has made many positive improvements that are recognized by international organizations. Vietnam's approach to improving the business environment has been referenced by several countries in the region (such as Indonesia) and shared at many international events.

For nearly four years (2016-2019), ministries, agencies and localities have been aware of the importance of improving the business environment, enhancing competitiveness as well as related responsibilities, therefore, they have been more proactive and active in implementing solutions to improve scores and rankings of indicators under their management. Consequently, certain results have been achieved and increasingly the confidence of the business community in the Government's reform efforts.

Despite many achievements, the Vietnamese economy has also revealed its internal challenges and problems. Vietnam's income is still low, even compared to other regional neighbors. Besides, the evolutions and changes of the external environment are happening quickly and intricately, increasingly affecting the Vietnamese economy.

Currently, on the ranking map of the business environment and competitiveness of international organizations, Vietnam generally ranks in the second half and even some indicators at the bottom of the rankings. On the other hand, countries around the world are constantly looking for solutions to improve the index rankings to attract investment, promote growth and prosperity. Moreover, in the context of extensive international economic integration along with strong changes of the world economy such as rapid changes of technology, political polarization and fragile economic recovery, improving the business environment and competitiveness are increasingly important to countries. Therefore, Vietnam needs to identify inadequacies and limitations on the business environment and competitiveness, distance from the world, thereby, identifying related reform solutions. At the same time, seize opportunities in the new context to create a breakthrough to improve the competitiveness of the economy. There are still many challenges and it requires continued guidance from the Prime Minister, the synchronization and determination of ministries and localities and the companion of the business community, citizens and related agencies.

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