



# BUSINESS ENVIRONMENT REFORM PROGRAM IN VIETNAM

## FROM BUSINESS PERSPECTIVE

Report on assessment of implementation of  
Resolutions No. 02 in 2020 and No.35 in 2016 of the Government

**Dau Anh Tuan**

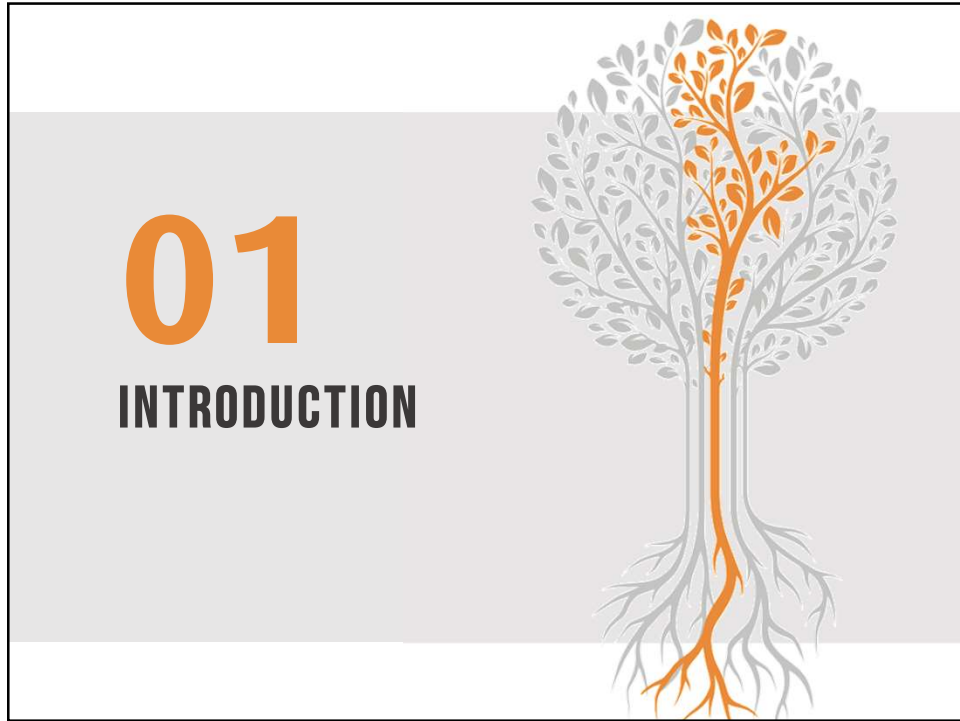
Head of the Legal Department  
Vietnam Chamber of Commerce and Industry

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## THE PRESENTATION OUTLINE

- 1 Introduction
- 2 Performance
- 3 Recommendations

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**— INTRODUCTION**

- The Government assigned VCCI to make this report
- Methodology
  - PCI business survey data
  - Information published by state agencies
  - Business in-depth interviews
  - Expert consultation

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## — RESOLUTION NO.02

### Context:

- Five Resolutions No.19 (2014-2018)
- Resolutions No.02: first working day of a year (2019-2021)
- Target: top 4 ASEAN
- Resolutions for 3 years and each year

### Content:

- Improve Indicators
- Business entry barriers
- Goods inspection
- Startup ecology
- E-government

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## — RESOLUTION NO.35

### Context

- Private sector development
- Period of 2016 - 2020

### Content:

#### 10 principles:

- Property right, business right
- Serving enterprises
- Policy stability
- Fair competition
- ...

#### 05 solutions

- Administrative reform
- Reduce costs of doing business
- Improve business environment
- ...

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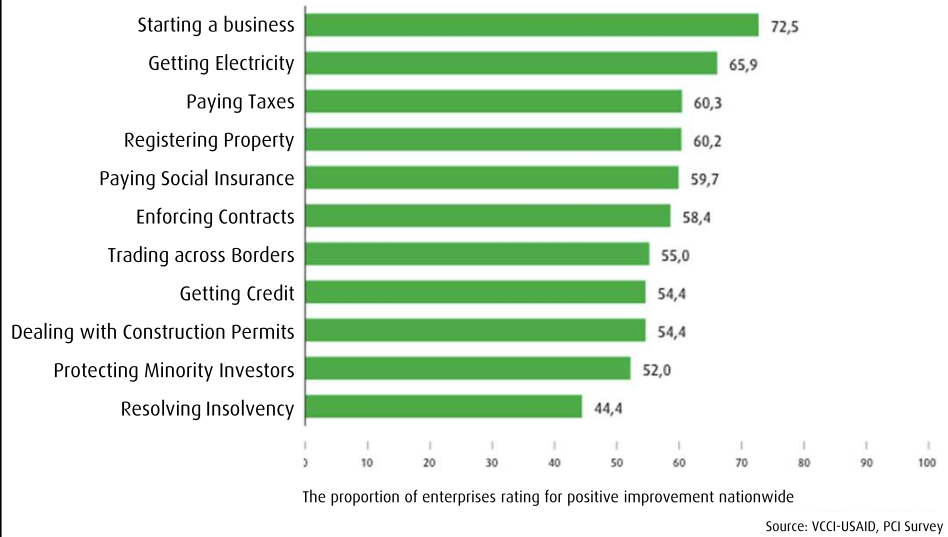
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## OVERVIEW

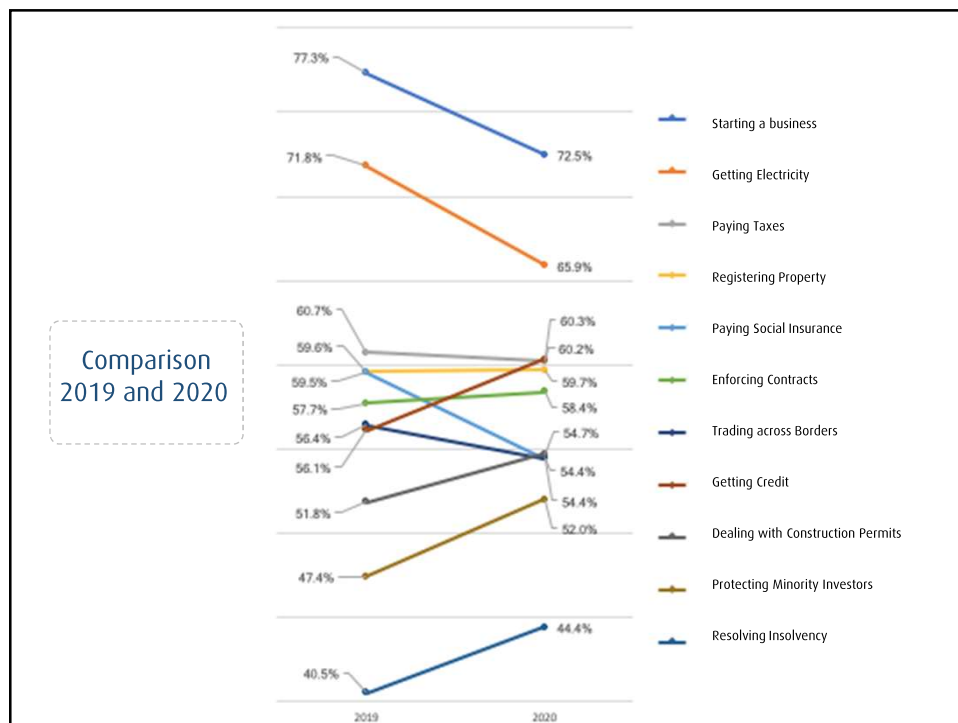
- ❖ Context
  - COVID-19, natural disasters
  - Prepare for term transfer
  - Cancellation of International reports
- ❖ 2020
  - The business environment was improved
  - The improvement was slower
- ❖ 2016 – 2020
  - The business environment was improved significantly

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Evaluation of the progress in some indices in Resolution 02/ND-CP across the country



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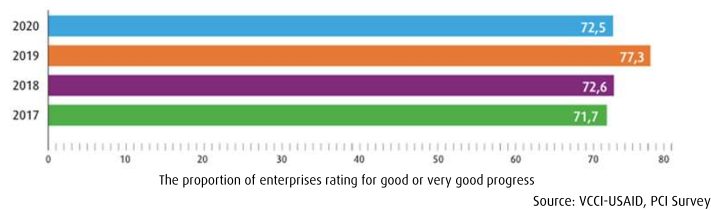


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## STARTING A BUSINESS

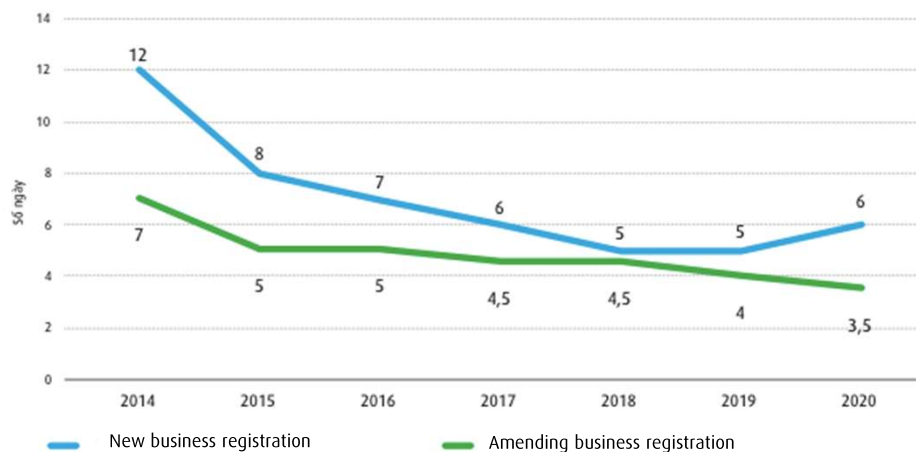
- ✓ Business registration time is halved from 2014 to 2020
- ✓ Slowdown in 2020:
  - Increased demand for online registration
- ✓ Likely continue to improve in 2021:
  - Decree 22/2020/NĐ-CP: first year license fees waived
  - Decree 122/2020/NĐ-CP: Connection business registration, labour registration, social insurance registration, invoice registration

Improvement of 'starting a business' indicator

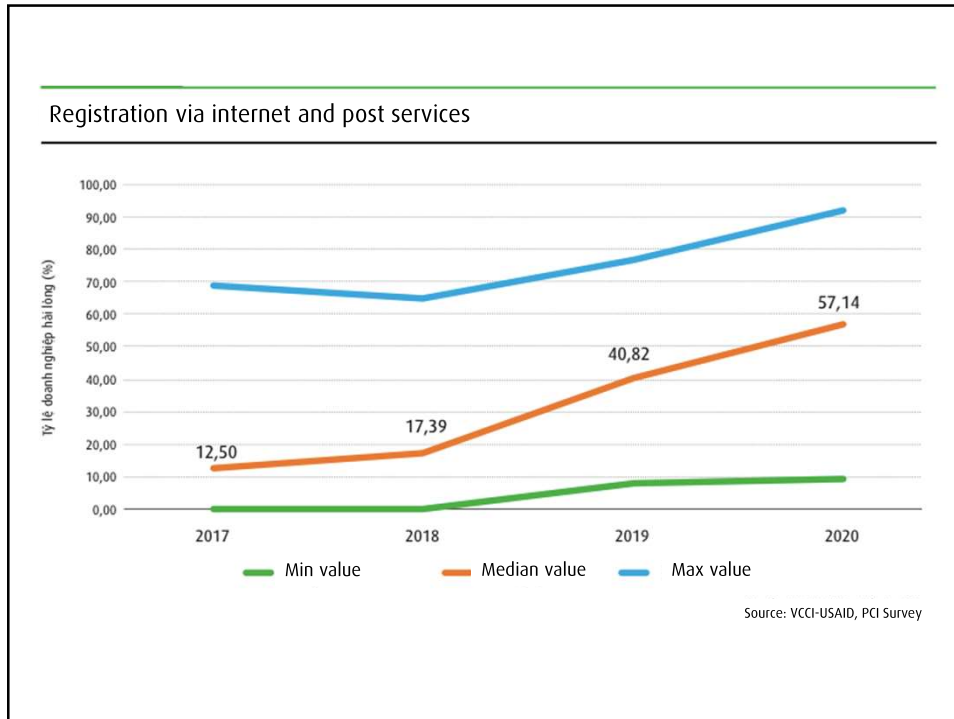


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## Business registration time (days)



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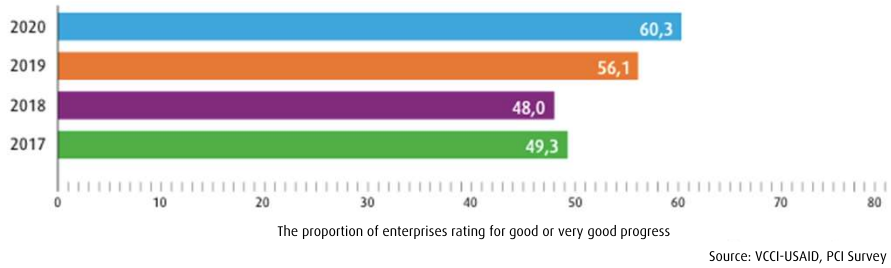
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## PAYING TAXES

- ✓ Used to be low
- ✓ Significant improvement in recent years
- ✓ 2020: Business support policy in COVID
- ✓ Tax Administration Law 2019 (effective on 1/7/2020)
  - Many provisions to facilitate business
  - Guiding documents: some provisions "easy for tax authorities, difficult for businesses"
    - Provisional corporate income tax payment for 3 quarters is 75%
    - Tax administration for e-commerce and cross-border services
- ✓ Transparency of tax policy: Tend to get worse

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### Improvement of 'paying taxes' indicator

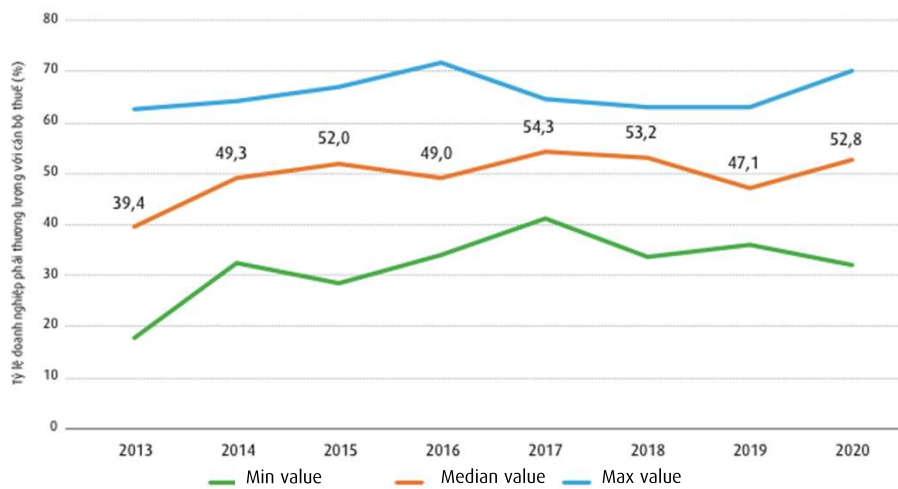


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### Negotiation with tax officials

HÌNH 14

Thương lượng với cán bộ thuế là phần thiết yếu trong hoạt động kinh doanh



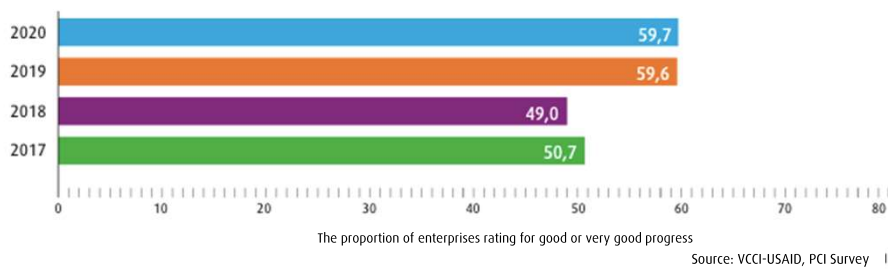
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## PAYING SOCIAL INSURANCE

- Strong improvement in 2019, slowdown in 2020
- 21% of businesses say they have difficulty in completing the procedures

Improvement of 'paying insurance' indicator

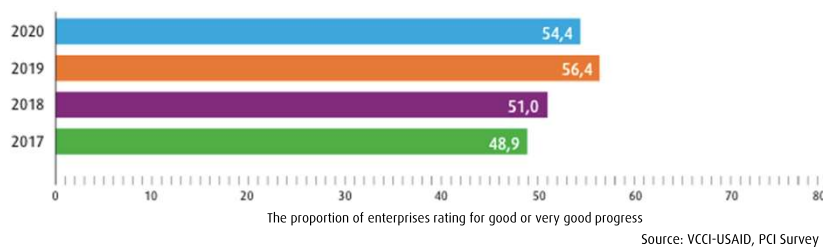


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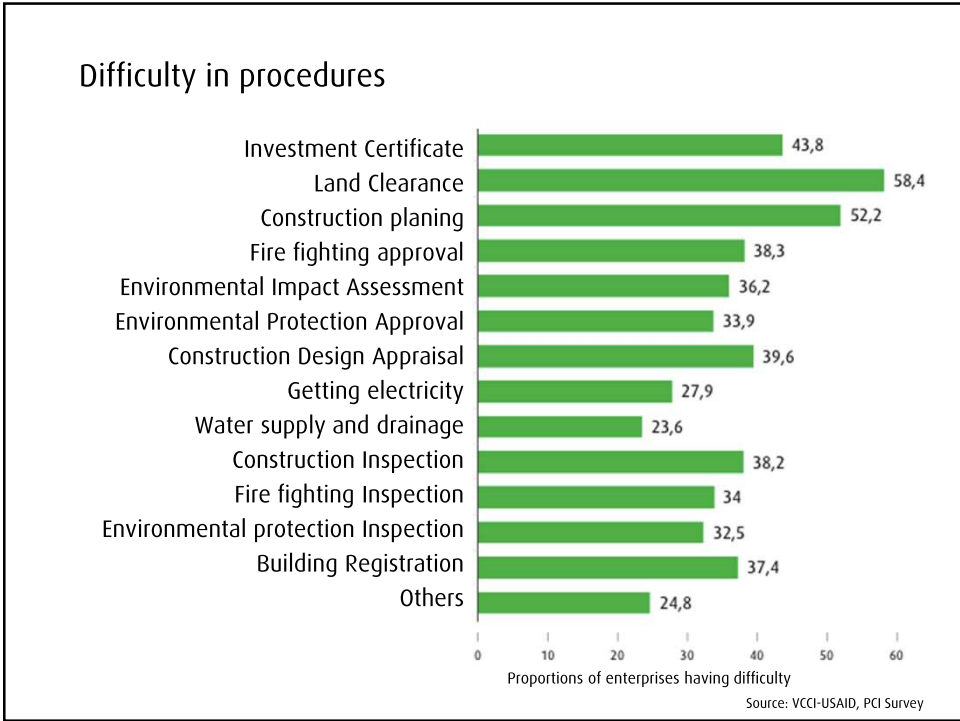
## DEALING WITH CONSTRUCTION PERMITS

- Strong improvement in 2018 and 2019, decline in 2020
- Most difficult procedures: land, planing, investment
- Most serious problems: bribery and longer time

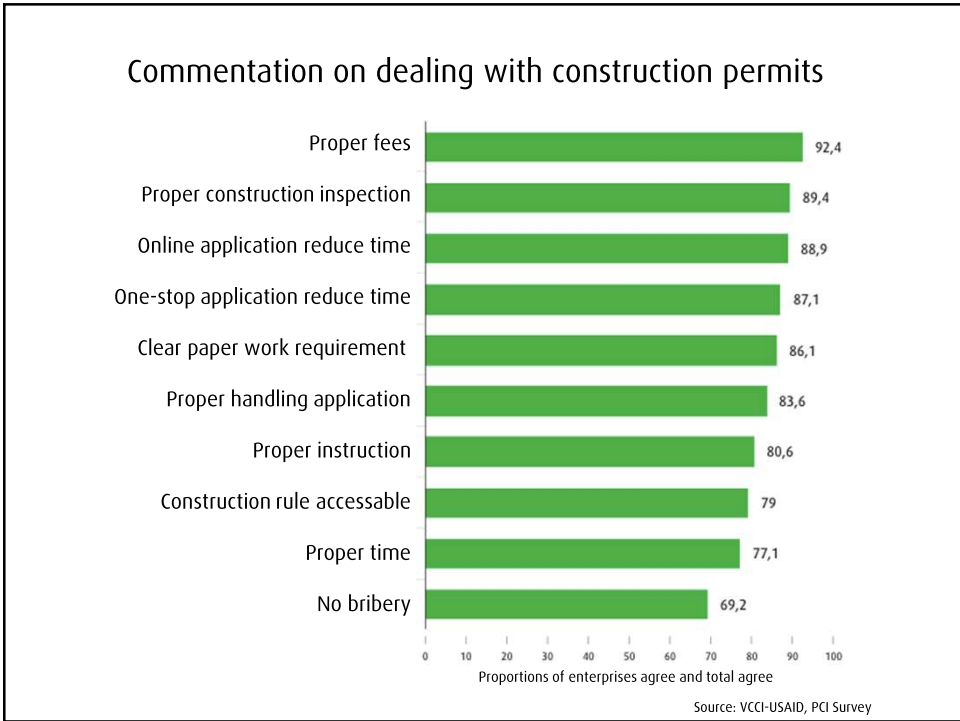
Improvement of 'dealing with construction permits' indicator



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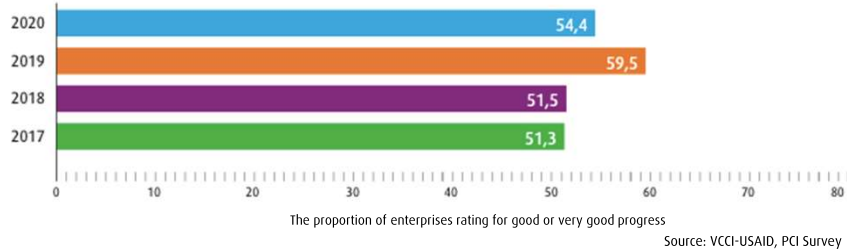
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## GETTING CREDIT

- ✓ Improvement in 2019
- ✓ 'Getting credit' was more difficult in 2020 even loose monetary policy due to COVID
- ✓ Legal bases for credit information, open banking, and financial technology have yet to be issued

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### Improvement of 'getting credit' indicator



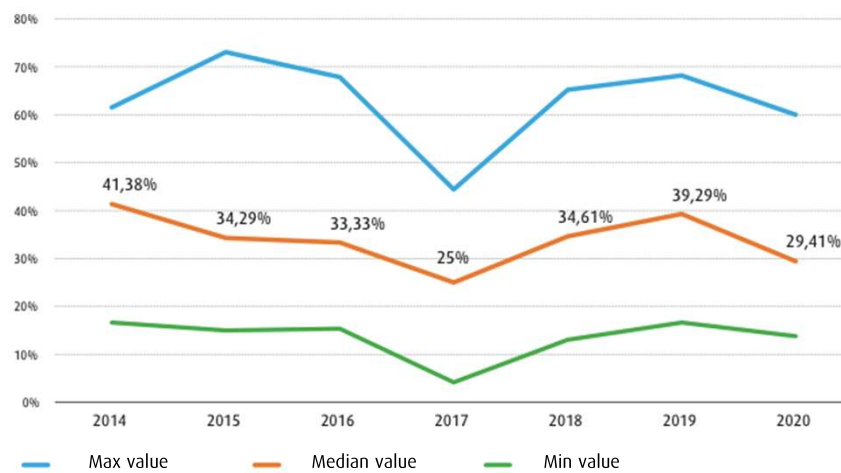
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## REGISTERING PROPERTY

- ✓ Plenty of room for reform
- ✓ In 2020, up to 71% of enterprises have done land procedures reflecting difficulties, increased sharply from 61% in 2019.
- ✓ The biggest difficulty is the longer time to resolve the procedure than the regulations (38% of businesses)
- ✓ 68% of businesses have to cancel or delay their business plans due to difficulties in land procedures
- ✓ Land information transparency has not improved.

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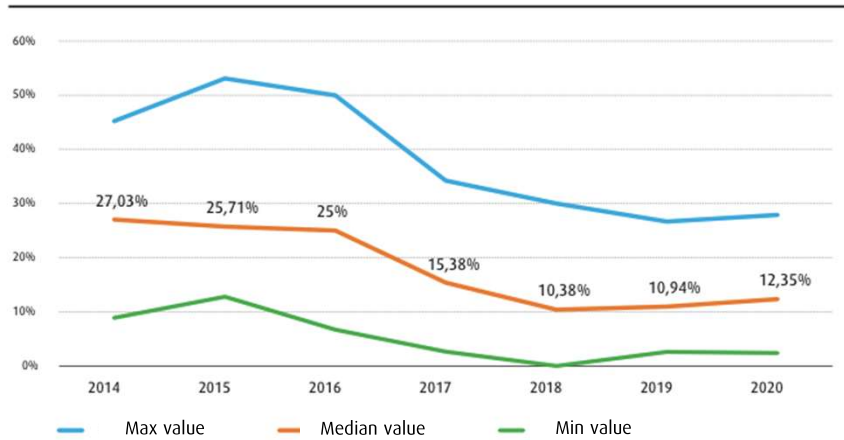
Business which have done land procedure without any difficulty



Source: VCCI-USAID, PCI Survey

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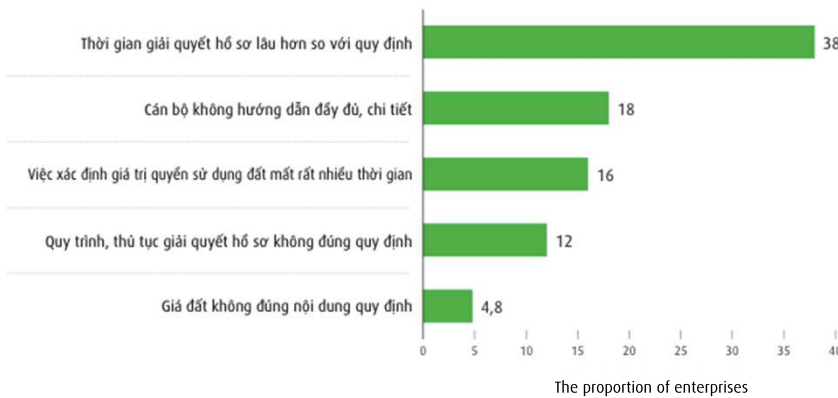
Percentage of firms that want to have LURCs but don't have LURCs because of complicated procedures and troublesome staffs.



Source: VCCI-USAID, PCI Survey

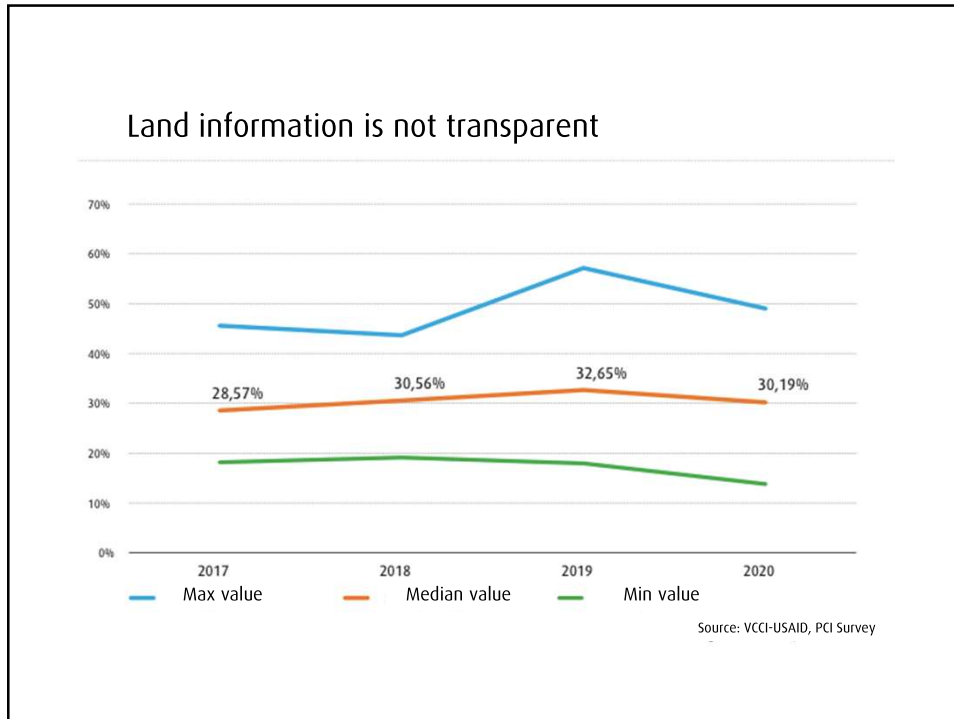
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Difficulty in land procedures



Source: VCCI-USAID, PCI Survey

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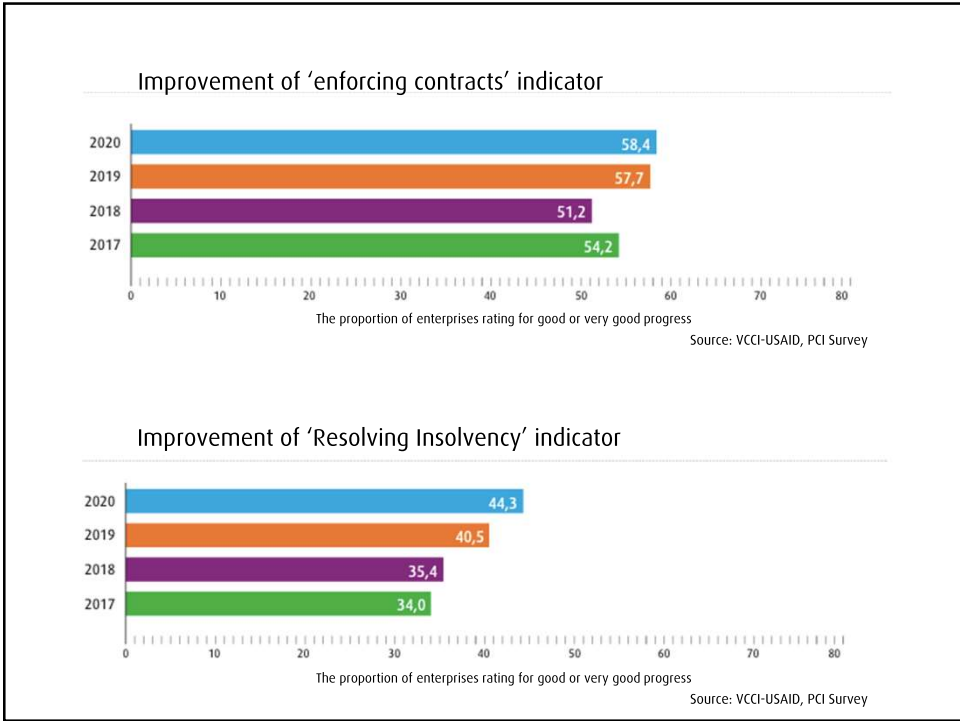


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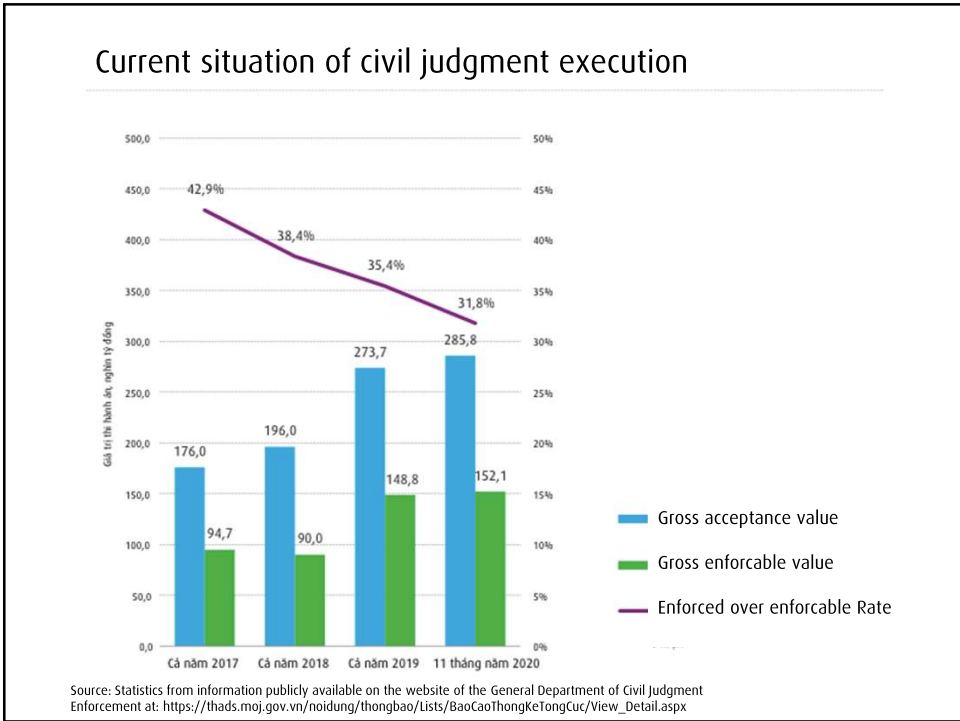
## ENFORCING CONTRACTS AND RESOLVING INSOLVENCY

- ✓ Remarkable positive change, even lower than other aspects
- ✓ The proportion of businesses willing to use courts to resolve disputes increased from 36% in 2016 to 57% in 2020
- ✓ In 2020, many businesses go bankrupt due to COVID. The Supreme Court instructed lower courts to handle bankruptcy cases
- ✓ The effectiveness of civil judgment enforcement is decreasing
- ✓ No court fee e-payment

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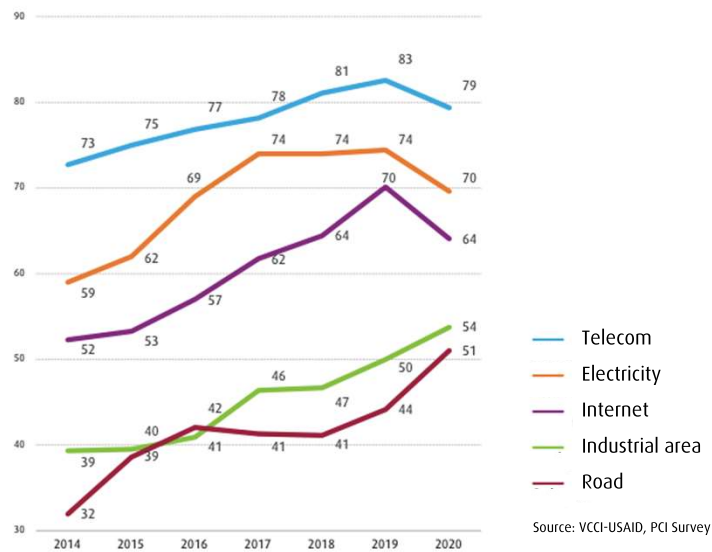
## INFRASTRUCTURE AND GETTING ELECTRICITY

- ✓ Basic infrastructure types have improved significantly over the past 5 years
- ✓ Due to the COVID epidemic context, pressure on telecommunications and internet services increased sharply in 2020



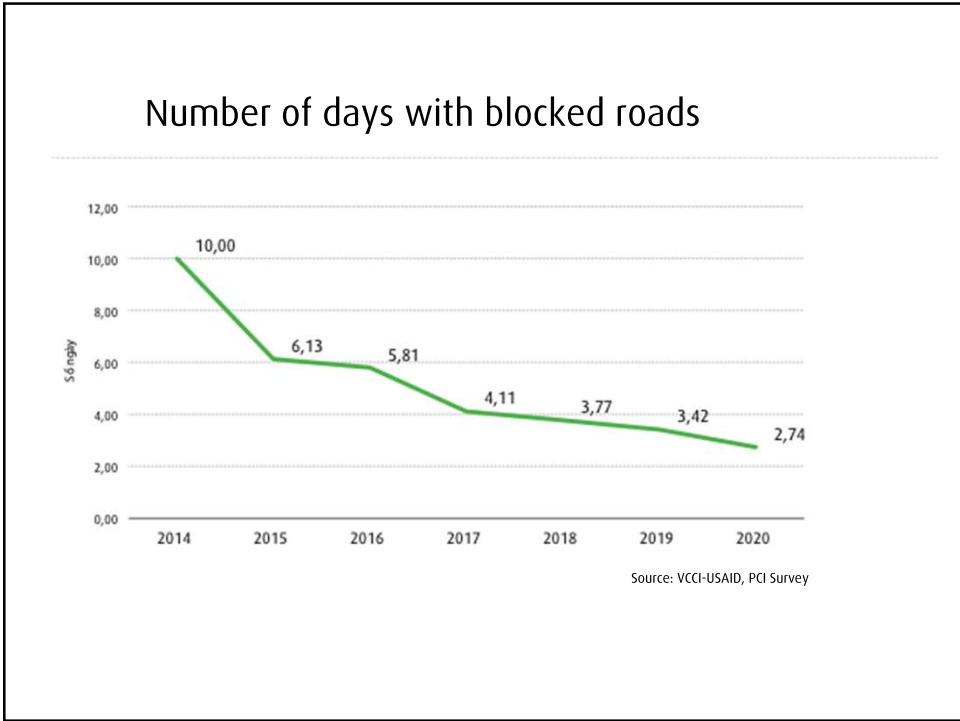
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Rate of businesses satisfied with infrastructures

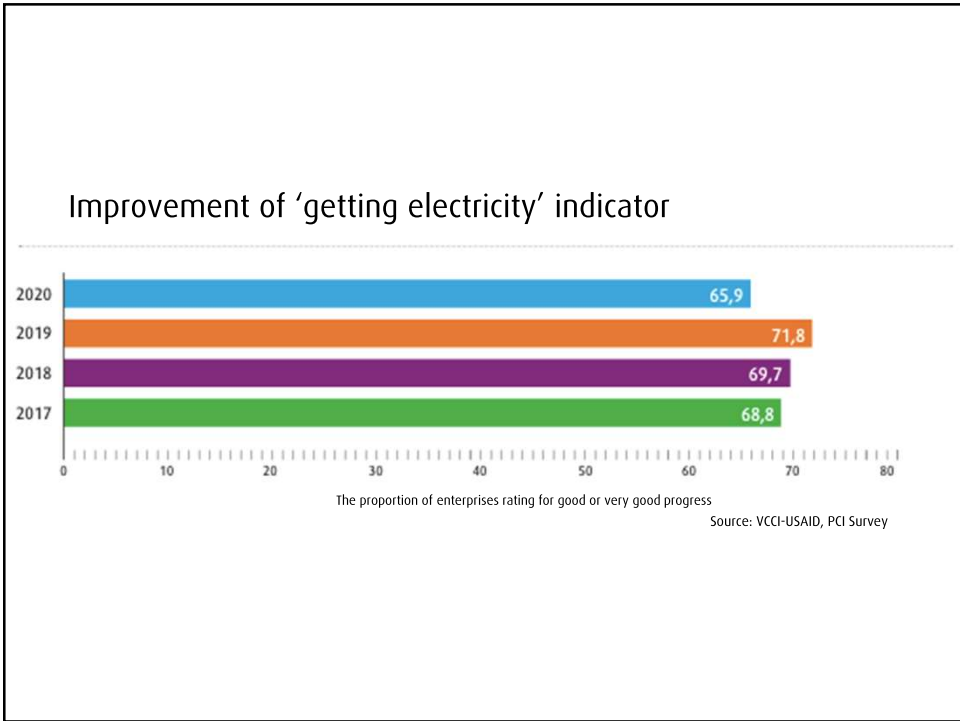


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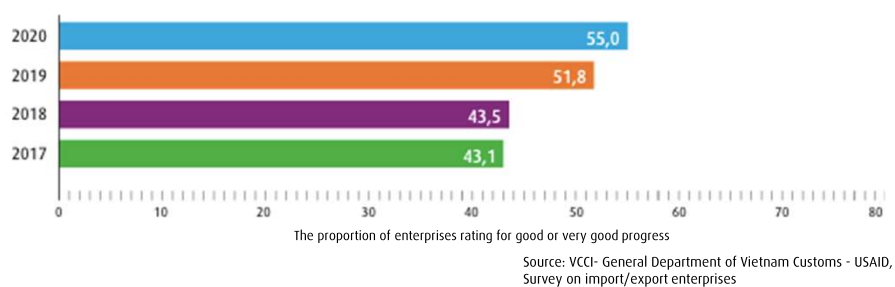
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## TRADING ACROSS BORDERS

- ✓ Most positive change in recent years
- ✓ Scheme on reform of quality inspection and food safety inspection for imported goods
- ✓ Risk management
- ✓ National Single Window
  - Improvements: integrated procedures, reduce network congestion, reduce time
  - Still not integrated procedures at provincial level

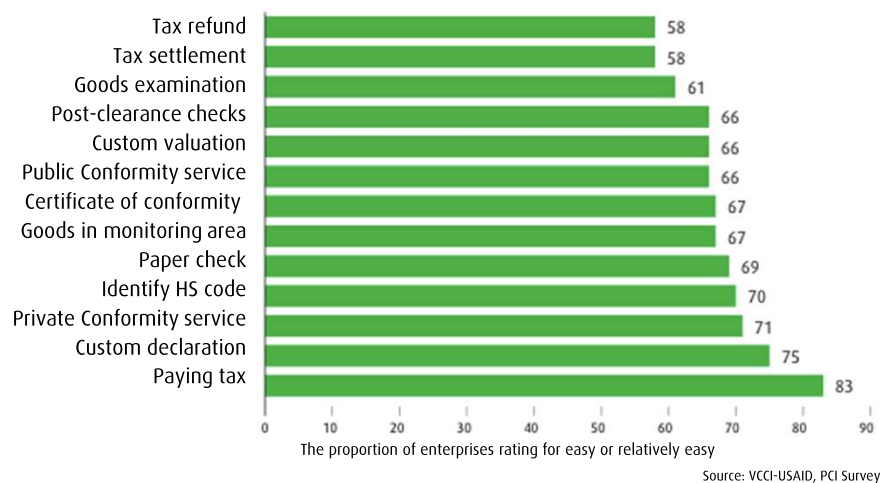
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### Improvement of 'Trading across Borders' indicator



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### Advantage in 'Trading across Borders' procedures

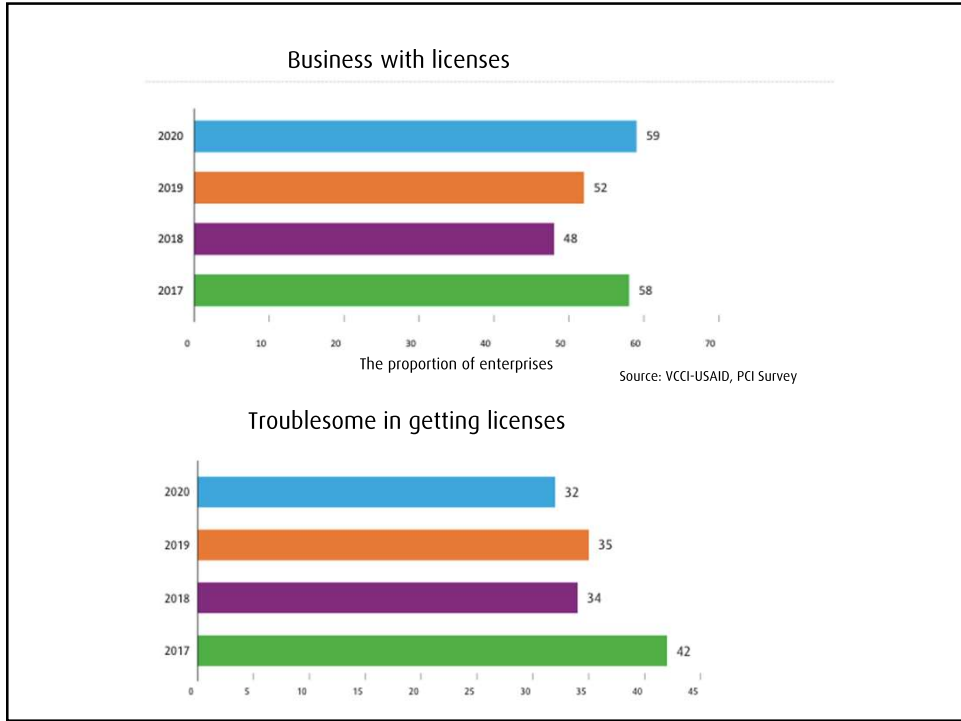


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## REDUCE MARKET-ENTRY BARRIERS

- ✓ Reducing market entry barrier program in 2028
- ✓ The proportion of enterprises applying for a conditional business license decreased in 2018 and gradually increased in 2019 and 2020
- ✓ The proportion of businesses having difficulty applying for a conditional business license has fallen sharply from 2017 to 2020

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## E-GOVERNMENT

- ✓The number of online public services at level 3 and level 4 increased sharply in 2020
- ✓The number of applications submitted online is still low and only in a few types of reporting procedures
- ✓Decree 45/2020/ND-CP on online administrative procedures:
  - Very progressive provisions
  - Still in the stage of preparation for implementation

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## DIFFICULTY IN ONLINE ADMINISTRATIVE PROCEDURES

- ✓The systems lag, not accessible without clear reasons.
- ✓Can not attach files without clear reasons.
- ✓Submitting application without response emails or email without application code
- ✓No answer when checking application status
- ✓Account verification takes time
- ✓Some cases: already submitted online application then still have to submit paper application
- ✓Online payment errors without clear reasons.

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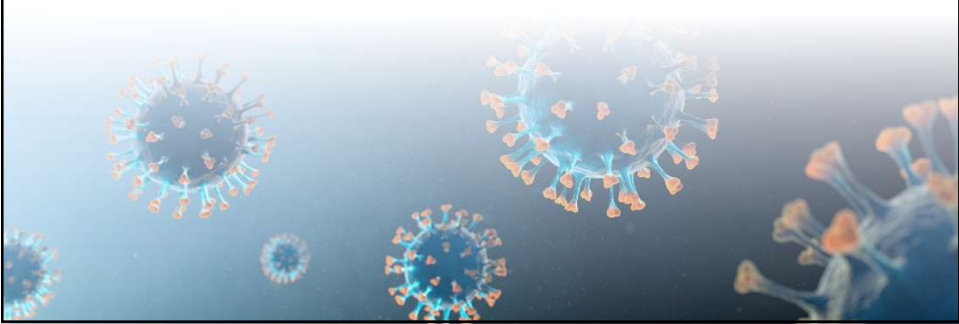
## SOME SPECIFIC TASKS ON DIGITAL TRANSFORMATION

- ✓Frequency licensing for 4G and 5G: would be done in 2022.
- ✓Mobile money legal basis: issued
- ✓E-payment fee: not issued
- ✓Online paying fine: enable but still not really friendly

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## ONE MILLION ENTERPRISES IN 2020 TARGET

- ✓ 81,2% in 31/12/2020
- ✓ COVID-19 slowed down the increasing rate.



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## INCREASE THE NUMBER OF ENTERPRISES IN SOME PROVINCES FROM 2015 TO 2020

Highest	Lowest
<ul style="list-style-type: none"> <li>• Bắc Giang: 221%</li> <li>• Bắc Ninh: 185%</li> <li>• Vĩnh Phúc: 168%</li> <li>• Đồng Nai: 164%</li> <li>• Bình Dương: 163%</li> <li>• Bình Phước: 162%</li> <li>• Hưng Yên: 152%</li> </ul>	<ul style="list-style-type: none"> <li>• Điện Biên: 24%</li> <li>• Quảng Trị: 38%</li> <li>• Bắc Kạn: 44%</li> <li>• Cà Mau: 45%</li> </ul>

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## DIALOGUE, SOLVING PROBLEMS FOR BUSINESSES



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## ONLINE DIALOGUE

- ✓ In some provinces due to COVID-19
- ✓ Advantages:
  - Reduce traveling time
  - More business participate
  - Recordable
- ✓ Disadvantages :
  - More misunderstanding
  - No immediate feedback
  - Skip difficult questions sometimes
- ✓ More suitable for policy dissemination than problem solving

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### SHORT-TERM RECOMMENDATIONS

- ✓ **Business registration:** continue to reduce time and to apply IT
- ✓ **Paying taxes:** improve the tax policy transparency
- ✓ **Dealing with construction permits:** connect procedures
- ✓ **Getting credit:** legal basis for credit information service, fintech and open banking
- ✓ **Registering Property:** Amend land law, focus on transparency
- ✓ **Jucial reform:** focus on civil judgement enforcement
- ✓ **Getting electricity:** competitive electricity retail market and two-component electricity prices
- ✓ **Trading across Border:** issue the decree and implement the reform of goods inspection; apply risk management in goods inspection

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## SHORT-TERM RECOMMENDATIONS

- ✓ **National Single Window:** connect with goods inspection procedures at provincial level
- ✓ **Market entry barriers:** continue monitoring issuing new market entry barriers, especially at the law-level
- ✓ **Online public service:**
  - Statistics of online application for each procedures
  - Supervise online public services
  - Independent monitoring the IT system
- ✓ **Business dialogues:** online dialogue for policy dissemination, offline dialogues for business problem solving.

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## LONG-TERM RECOMMENDATIONS

- ✓ Continue to simplify administrative procedures, reduce market entry barriers and good inspection
- ✓ Focusing on judicial reform, especially civil judgment enforcement
- ✓ More substantive goals and tasks for online public service
- ✓ Apply risk management in public administration
- ✓ Policy stability in manufacturing and infrastructure sectors.
- ✓ Business environment in ICT sector

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# Thanks for listening!

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