ASIA REGIONAL CONSULTATIVE CONFERENCE

Creating Better Business Environments for Enterprise Development; Regional and Global Lessons for More Effective Donor Practices

Lessons Learned in Sustaining Business Registration Reform in Vietnam

by

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I. Executive summary

1. Djankov and others (2006) show that business regulations are an important determinant of growth. Their results suggest that reforms improving business environment in a country from the worst (1st) quartile to the best (4th) quartile may imply a 2.3 percentage point increase in average annual growth.

2. Cumbersome regulations and administrative procedures in starting a business are generally associated with increased informality, a lower tax base and higher tax burden on all firms, lack of health insurance and pension benefits for workers in the informal sector, and increased possibilities for corruption, especially in developing countries.

3. By developing measurable indicators and widely disseminating them, World Bank Group’s Doing Business reports have played a significant role in placing business environment reforms higher and firmly on the agenda of both governments and donors, particularly in respect of the reforms related to starting up a business.

4. Business start up procedures involve business registration and registration with tax, social security and statistics authorities. Private sector development depends on the basic market regulating and facilitating institutions to function efficiently and effectively for all stakeholders. Although the purpose of registering for tax, social security and statistics authorities seems to be clear, the full functionality of business registration seems to be less well understood.

5. A business registry has at least two very important roles in private sector development: the business registry provides business information to the private sector and it is instrumental in protecting private sector’s vital interests.

6. The changes introduced through the Enterprise Law 1999 changed the whole landscape for private sector development in Vietnam. Over 160,000 enterprises registered in the 2000-2005 period, over 3.2 times more than those registered in the previous 10 years. Registered capital amounted to over US$20 billion, overtaking foreign direct investment in the same period. However, starting a business in Vietnam still takes too much time and has significant costs.

7. Lessons we learned point to the fact that starting up time and costs can be significantly lowered by implementing a system which offers: (a) single point registration for business, tax, statistics and company seal permits, using a consolidated form, (b) a unique enterprise ID recognized by all participating institutions, (c) a national, computerized business registry, and (d) e-registration and information services of a standard quality.

8. Successful implementation of efficient registration services depends on good collaboration among registration agencies, re-engineering the procedures and business processes and applying information and communication technologies concurrently, capacity building in the organizations involved, and awareness raising among private and public stakeholders.
II. Introduction

9. Djankov and others (2006) show that business regulations are an important determinant of growth. Their results suggest that reforms improving business environment in a country from the worst (1st) quartile to the best (4th) quartile may imply a 2.3 percentage point increase in average annual growth.

10. The World Bank (2004) describes its annual Doing Business report as a time-and-motion study, which measures, across countries, the obstacles faced by an entrepreneur performing standardized tasks. In Doing Business in 2007, these standardized tasks have been extended to cover regulations governing starting a business; dealing with licenses; employing workers; registering property; getting credit; protecting investors; paying taxes; trading across borders; enforcing contracts; and closing down a business.

11. Cumbersome regulations and administrative procedures in starting a business are generally associated with increased informality\(^1\), a lower tax base and higher tax burden on all firms, lack of health insurance and pension benefits for workers in the informal sector\(^2\), and increased possibilities for corruption, especially in developing countries\(^3\).

12. As a result, reforms related to easing market entry burdens on businesses have attracted the attention of governments and donors alike. For example, International Development Association introduced private sector development targets for measuring its borrowers’ performance since the 13th IDA funding round in 2002. Two private sector development targets were specifically set on time and cost of starting up a business and were measured by the World Bank group as part of its work on the Doing Business reports. The same indicators are among the 14 indicators that would be measured in the 14th IDA funding round\(^4\).

13. APEC SME Ministers endorsed the private sector development work plan of the APEC SME Working Group in their 13th annual meeting held in Hanoi in September 2006. Throughout 2007, the SME Working Group will focus on the topic of “starting up a business in the APEC region”, using the framework provided in Doing Business.

14. By developing measurable indicators and widely disseminating them, Doing Business reports have played a significant role in placing business environment reforms higher and firmly on the agenda of both governments and donors, particularly in respect of the reforms related to starting up a business.

15. While this is indeed a very welcome development, significant

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\(^1\) Bannock, et al. (2002)  
\(^3\) Djankov, et al. (2002)  
\(^4\) http://web.worldbank.org/WBSITE/EXTERNAL/EXABOUTUS/IDA
increases in the number of new business establishments immediately following national level reforms on business start-up procedures in developed and developing countries\textsuperscript{5} have had two types of effects. First, a tendency to consider business start-up reforms as “first generation\textsuperscript{6}, and thus easy to do, seems to be emerging. Second, and following from the first tendency, stakeholders seem to suppose that remaining challenges in the regulatory environment related to market entry needs to be resolved at sub-national levels, particularly in countries where, despite successful national reforms, sub-national performance has been mixed.

16. In this paper, we will briefly compare lessons learned in Vietnam with international good practices on starting a business. In doing so, we will attempt to illustrate that these reforms are not as easy as they may initially seem and that a significant proportion of the differences observed in sub-national performance continue to be caused by incomplete reforms at central/national levels. Based on our analysis, we will share some of the lessons we learned to date.

III. What is the scope of “starting a business” reforms?

17. The European Commission report “Benchmarking the Administration of Business Start-ups”\textsuperscript{7} takes a broad view of the business start-up process and divides it into two stages: (1) discretionary processes, which include activities undertaken by the entrepreneur such as preparing a business plan and raising start-up finance, and (2) mandatory administrative procedures, such as registering the business with officially mandated bodies to obtain certification of its establishment, and providing information of the business’s existence to tax, statistics and social security administrations by registering with them to obtain identification codes. The report interestingly indicates that registration with a trade association or a chamber of commerce is obligatory in a large number of European countries\textsuperscript{8}.

18. World Bank’s Doing Business in 2004 defines the list of entry procedures as those that are “officially required for an entrepreneur to obtain all necessary permits, and to notify and file with all requisite authorities, in order to legally operate a business”\textsuperscript{9}. A further qualification provides that prevailing law must always require these procedures and that they should apply to all businesses.

19. Based on information contained in the Doing Business dataset, we observed that “business start-up procedures” that qualify according to the above criteria almost always cover business and tax registration. In a

\begin{itemize}
\item \textsuperscript{5} Spain (10%), Slovakia (12%), Belgium (16%), France (18%), Turkey (18%), Estonia (19%), Morocco (21\%), Romania (22\%), Vietnam (28\%), Serbia and Montenegro (42\%) and Ethiopia (48\%) from 2003 to 2006, cited in World Bank (2004) and World Bank (2005).
\item \textsuperscript{6} VCCI and VNCl (2006), p. 8.
\item \textsuperscript{7} European Commission (2002), p. 18-27.
\item \textsuperscript{8} European Commission (2002), p. 106-109.
\item \textsuperscript{9} World Bank (2003), p. 106.
\end{itemize}
majority of cases, notification of the social security administration is required as well, and in some cases, the statistics administration needs to be informed.

20. In the rest of our discussion in this paper, we will assume starting a business would at most involve business registration and registration with tax, social security and statistics authorities.

IV. What is the purpose of business registration?

21. Governments require tax registration to ensure tax collection. Social security registration is required to ensure the basic rights and well-being of employees; e.g. for health insurance and pension benefits. Statistics administrations register establishments to collect important information on sectors, size, ownership, investments and various other characteristics of enterprises to help form as accurate a picture as possible of the economy.

22. While the purposes for tax, statistics and social security registration are well understood, we believe that the commonly stated purpose of business registration, which usually reads as: "to legally operate as a business", does not sufficiently describe the full functionality of a business registration system in a market economy.

23. When this definition is taken literally, the interest in business registration seems to stop at the "act of completing the registration of a business with the authorized registration agency". Although this characterization is necessary and correct to some extent, it is not sufficient, because it does not inform the stakeholders of the role of the resulting "business registry", once the act of registration is complete.

24. A business registry has at least two very important roles in private sector development: the business registry provides business information to the private sector and it is instrumental in protecting the vital interests of the private sector.

25. The business registry is, in most cases, the only publicly available information source on individual business entities. As far as information on specific business entities are concerned, tax, statistics and social security registries are usually not accessible to the public. When some access is available, the type of information these registries offer may be able to satisfy only a limited number of private sector information needs, e.g. for aggregated information.

26. In comparison, the business registry is the only legally valid and publicly accessible enterprise registry. Whenever legally valid verification of the enterprise’s identity, its objectives, its owners, its legal representatives, its management procedures, its obligations and rights

10 Sa (2005), p. 3.
are needed, the business registry has the role of acting as the trusted third party information source. Private sector entities need to consult the business registry to assess whether a potential business partner is satisfying its legal obligations, who its owners are, and what the recent financial situation of their partner is (for type of enterprises that must disclose such information), etc.

27. Furthermore, other market institutions need to depend on the legal validity of the information contained in a business registry and use this legally valid information. For example, secured transactions, public and private credit registries have to be built on availability of legally valid enterprise information. When courts are proceeding with contract enforcement, they need legally valid information on the parties to contracts, when at least one of the parties is a registered enterprise. When financial institutions process loan requests from firms, they would need legally valid information about them. When investors need some information on their potential partners, the business registry should be one of the first places they consult with.

28. Another important client of the business registry is the policy maker who needs to be informed of the trends in new registrations, mergers, dissolutions and bankruptcies, etc.; in short, how the enterprise sector is evolving.

29. The business registry has to undertake the functions of being the trusted third party provider of legally valid business information to the private and public sectors. Accordingly, the functionality of business registry does not end when a business registers at start-up, but extends throughout the whole lifespan of the firm and even beyond as a number of parties may need to use historical information about once-registered enterprises. In effect, a legally valid, reliable, and efficiently functioning business registry is required, if good corporate governance practices and standards are to be ensured in a market economy.

30. Awareness of this fundamental role of business registries is key to successful design and implementation of business registration reforms. In our opinion, countries that prominently inhabit the Doing Business top 10 places in the “starting up a business” list year after year are those that understand the full functionality of business registration systems.

31. We, therefore, suggest that business registration reform should aim (1) to simplify registration to lower the time and money costs, and (2) to create a reliable, legally valid and easily accessible business registry that would serve the business community, policy makers and the public at large as a part of the institutional infrastructure that ensures markets to function effectively. If stakeholders link their vision vis-à-vis business registration reforms primarily to their concerns on “easing the start-up of businesses”, we are afraid the scope of the interventions they plan might also be limited, albeit involuntarily.
V. What is “regulatory reform”? 

32. Any regulatory reform, even if it occurs “by the stroke of a minister’s pen and may seem inexpensive to implement,” consists of two sub-categories of interventions: (1) those that aim to improve the legal framework governing the field of action; i.e. legal reforms, and (2) those that are needed to improve the capacity of the institutional infrastructure that implements these regulations; what we call administrative reforms.

33. We define legal reforms as the changes in laws, and the implementing regulations, including in lower level legal documents such as decrees, circulars and decisions, issued by competent regulatory authorities.

34. We define administrative reforms as the actions taken for translating the legal framework into effective services for relevant stakeholders. For example, in the case of business registration, administrative reforms need to improve the institutional and organizational capabilities of the business registry so that it is enabled to undertake all of its intended functions effectively.

VI. Business registration reforms in Vietnam

35. In this section, we will discuss the lessons learned through the implementation of Enterprise Law 1999 in Vietnam. Although the Enterprise Law 1999 has been replaced by its new version, the Enterprise Law 2005, the new Law has been in effect only since 1 July 2006, and its implementation period is too limited to discuss lessons learned.

36. Some administrative improvements can be made even within the most constraining legal frameworks. However, good practice is to make a comprehensive overhaul of the law, as was done in Vietnam.

37. The process of formulating the 1999 Enterprise Law was not easy; it took over three years, more than twenty drafts and much consensus building among numerous stakeholders.

38. The impact of Enterprise Law 1999 has indeed been impressive: over 160,000 enterprises registered in the 2000-2005 period, over 3.2

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11 The ease and costs of setting up business registries are provided in a number of Doing Business reports. Cost of implementing business registration reforms varies. Compare the costs indicated in Doing Business in 2006, p. 9, “The cost of reform to ease business entry is minor. Often it is done by the stroke of a minister’s pen. Even entirely new business registries cost only about $1 million in small countries and $2 million in larger ones. The benefits are enormous. So are the costs of waiting.” with those quoted in Doing Business in 2005, p. 6: “Integrating the business start up process into a single access point cost $10 million in Turkey.”

12 We use institutional capacity to refer to an institution’s capabilities in interacting with other (external) institutions, and organizational capacity in reference to human, technological, financial and other physical resources and internal management processes and procedures available to ensure an institution to function effectively.

13 In Vietnam, Joint Circular 05/1998/TTLT-KH-DT-TP dated 1 August issued by the Ministry of Planning and Investment and the Ministry of Justice eliminated the requirement to submit a business plan and assigned the Department of Planning and Investment to coordinate the comments needed from other provincial agencies even before the Enterprise Law 1999 came into effect in January 2000; UNIDO-MPI (1999), p. 74.
times more than those registered in the previous 10 years. Registered capital amounted to over US$20 billion, overtaking foreign direct investment in the same period. The changes introduced through the Enterprise Law changed the whole landscape for private sector development in Vietnam.

**Business registration became an act of notifying the existence of business**

39. The new legal framework basically transformed the act of business registration from one of “asking permission to do business” to one of “notifying the requisite authority of the existence of the business entity”, as long as the business activity was not prohibited by law.

**Removing minimum capital requirements encouraged creation of new businesses and formalization**

40. Prior to the Enterprise Law 1999, minimum capital requirements ranged from US$15,000 to US$100,000 or from approximately 50 to 333 times per capita income, Table 1. By removing minimum capital requirements, the new legal framework contributed to formalization and new enterprise creation.

<table>
<thead>
<tr>
<th>FORM OF ENTERPRISE</th>
<th>MINIMUM CAPITAL REQUIREMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Agriculture, Forestry &amp; Fisheries</td>
</tr>
<tr>
<td>Private Enterprise</td>
<td>VND 150 million</td>
</tr>
<tr>
<td>Limited Liability Company</td>
<td>VND 300 million</td>
</tr>
<tr>
<td>Shareholding Company</td>
<td>VND 500 million</td>
</tr>
</tbody>
</table>

Source: UNIDO-MPI (1999), Enterprise Law 1999 and implementing decrees and circulars

**A single agency was appointed to undertake business registration**

41. According to the 1990 Private Enterprises and Company Laws, all related line agencies had to approve the establishment of a business in the intended locality. This required a two-step process of first obtaining an establishment license, then the registration of business. Two processes were combined into one of registration. Business registration offices (BRO) were created under the provincial Departments of Planning and Investment. According to the existing process, BROs register the business and inform the relevant line agencies of its establishment for inspections related to health, standards, labor, environment, etc.

42. A Business Registration Division (now a part of the Agency for SME Development) under the Ministry of Planning and Investment was established and tasked with providing continuous support and guidance to the provincial business registration offices. The Business Registration Division trains and guides BRO staff, responds to enquiries and enables BROs to actively bring operational challenges to the attention of higher level policy makers at the central level.

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A statutory time limit to complete registration helped lower the time it takes to register

43. The Enterprise Law introduced a 10-day statutory time limit to complete registration, upon receipt of a valid application. This time limit had an immediate, positive effect in cutting down the duration first from being cited in months to weeks and eventually to a few days in some cases. Applicable business registration procedures prior to and after the 1999 Enterprise Law are shown in Table 2.

Table 2 Changes implemented in business registration, Vietnam

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Document/Approval/Other Action Required</strong></td>
<td><strong>Agency or Office Responsible</strong></td>
</tr>
<tr>
<td>1) Application for business establishment</td>
<td>1) Submitted to the office of people’s committee of the province or city</td>
</tr>
<tr>
<td>2) Business plan</td>
<td>2) Same as above</td>
</tr>
<tr>
<td>3) Draft articles of association (charter)</td>
<td>3) Same as above</td>
</tr>
<tr>
<td>4) Certification of permanent residence of the applicant(s)</td>
<td>4) Issued by People’s Committee of the ward or commune where each applicant has registered his or her permanent residence</td>
</tr>
<tr>
<td>5) Certification that applicant(s) are not subject to criminal prosecution</td>
<td>5) Issued by Police station of locality of residence of each applicant;</td>
</tr>
<tr>
<td>6) Certification that applicant(s) not mentally deficient</td>
<td>6) Issued by local medical practitioner or hospital;</td>
</tr>
<tr>
<td>7) Certification of the address of the head office.</td>
<td>7) Issued by People’s Committee of the ward or commune where the business will be located;</td>
</tr>
<tr>
<td>8) Certificate of deposit of cash capital</td>
<td>8) Issued by a Bank</td>
</tr>
<tr>
<td>9) Certification of value of assets constituting in-kind contributions to capital</td>
<td>9) Issued by a Public Notary</td>
</tr>
<tr>
<td>10) Certification that the company has the required skill or professional qualification to carry on business and approval of the business plan.</td>
<td>10) By relevant line department(s) of provincial people’s committee concerned with managing the field in which the company proposes to do business</td>
</tr>
<tr>
<td>11) Alternative to item 11: Make a presentation to a committee constituted by different line agencies at the province (e.g. in Hanoi)</td>
<td>11) Same as above.</td>
</tr>
<tr>
<td>12) Professional certificate for certain industries where required</td>
<td>12) Issued by supervising ministry for the industry in question</td>
</tr>
<tr>
<td>13) Certificate of permission for non-resident applicants seeking to establish enterprises or companies in Hanoi or Ho Chi Minh City.</td>
<td>13) Issued by Chairman or Vice Chairman of the people’s committee of the province of the applicants’ permanent residence.</td>
</tr>
<tr>
<td>14) Coordination of approvals needed before submission to Chairman or Vice Chairman of People’s Committee</td>
<td>14) By the Department Of Planning And Investment or the Office of the Provincial People’s Committee or other appointed agency of the provincial people’s committee.</td>
</tr>
<tr>
<td>15) Obtain Establishment License</td>
<td>15) From the Office of the People’s Committee or Department of Planning and Investment</td>
</tr>
<tr>
<td>16) Submit the following documents to obtain business registration certificate:</td>
<td>16) Obtain business registration certificate from the Department of Planning and Investment of the province or the city</td>
</tr>
</tbody>
</table>
**Procedures Required for Obtaining an Establishment License and a Business Registration Certificate (Prior to Enterprise Law 1999)**

**Procedures for Obtaining Business Registration Certificate After Enterprise Law 1999**

<table>
<thead>
<tr>
<th>Document/Approval/Other Action Required</th>
<th>Agency or Office Responsible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment certificate</td>
<td></td>
</tr>
<tr>
<td>Certificate of the bank as to cash capital</td>
<td></td>
</tr>
<tr>
<td>Certificate of the notary office as to the value of in-kind contributions</td>
<td></td>
</tr>
<tr>
<td>Certificate of principal office</td>
<td></td>
</tr>
<tr>
<td>Company’s charter</td>
<td></td>
</tr>
<tr>
<td>List of members in the Board of Management and Inspectors</td>
<td></td>
</tr>
<tr>
<td>Identification cards and residency certificates of the owner/founders</td>
<td></td>
</tr>
</tbody>
</table>

**Document/Agency**

- ID numbers of owners and legal representative of the company are written on the application form and original IDs are presented to the Business Registration Office for checking at the time of application or at the time when the business registration certificate is received, if the initial application is made by e-mail (possible only in some provinces).

**Registration costs were lowered by removing notarization requirements**

44. Prior to the Enterprise Law, value of in-kind assets that were contributed as capital to business had to be certified by the notary public. The Law clearly indicated that the party registering the business had to make a declaration and s/he was responsible for the truthfulness of such declarations. Additional certifications that were either abolished (e.g. on mental health) or exchanged with a declaration (e.g. address of head office) further decreased the time and money costs of business registration.

**Requirements to prove capability to manage business helped reduce informality**

45. The requirements to submit a business plan¹⁵ and to prove one’s professional capability to manage a business were removed, except for some business lines such as medical and legal services. These steps not only lowered the costs of starting a business, but also lowered operational costs and informal arrangements that some businesses used to make under the former laws, for example, by hiring persons who would pass the scrutiny of officials.

**VII. What are the remaining challenges in starting a business in Vietnam?**

46. Starting a business in Vietnam requires business registration, tax code registration and obtaining a company seal. Registering employees with the social security administration (called social insurance in Vietnam) may be completed after the business starts operating.

47. Reforms to date have succeeded in removing significant barriers in registering a business as discussed in the previous sections. However, a survey¹⁶ of over 6,300 enterprises conducted in 2005 for working out a provincial competitiveness index (PCI) found that the median time it takes for completion of business registration is about 21 days, varying

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¹⁵ In Lao PDR, applicants registering a business had to submit a feasibility study as late as in 2002; Tas, et al. (2002), p. 17.

¹⁶ VCCI and VNCI (2006); dataset: length of business registration in days.
between a minimum of 11 days and a maximum of 58 days, despite the statutory time limit of 10 days upon the submission of a valid application dossier. *Doing Business*\(^\text{17}\) ranks Vietnam in 97\(^\text{th}\) place out of 175 countries in the ease of starting a business\(^\text{18}\).

**What do good practice examples show?**

48. Australia, Canada, United States and Singapore are among the top performers when starting a business according to *Doing Business*. In all of these countries there is no minimum capital requirement, like in Vietnam. Registering a business, getting tax and social security registration takes only one day each, if and when this is conducted using the on-line registration system. On the other hand, if the applicant chooses to complete the same registration processes by mailing in duly filled hard copy forms to relevant agencies, the picture changes somewhat.

49. In Canada\(^\text{19}\), incorporating a business takes 5 business days within receipt of the application by post; another 5 business days are required to obtain a business number for tax purposes. Furthermore, businesses have to register again at the provincial level, after completing registration at the federal level. In Singapore\(^\text{20}\), if the approval of a chosen company name requires consultation with other agencies, the process takes 14 to 60 days. Although companies can register for tax on-line, 3 weeks need to be allowed for receipt of the notification of registration. In Australia\(^\text{21}\), the tax authority mails a similar written notification within 28 days of receipt of the application. In the United States\(^\text{22}\), an application for a federal identification number for tax and employer purposes requires 4 to 5 weeks for processing; but with complete information on the application form, registration can be done instantaneously by phone.

50. Obviously, use of information and telecommunication technologies expedite the processes of registration drastically and lower the costs involved. One can probably also presume that processes had to be/were re-engineered, when moving towards automation.

**Current procedures in business and tax registration and seal permits in Vietnam**

51. In Vietnam, 64 business registries (BROs) operate at the provincial level. There is no consolidated business registry at the national level, which the provincial registries access registered information of businesses in their own and other provinces. Interactions between BROs have to be conducted through mail, when required. Enterprises are given a provincial business registration code according to a set format, but even among the business registries, a unique enterprise ID cannot be used, as there is no national registry or arrangements for the use of a unique ID.

\(^{17}\) [www.doingbusiness.org](http://www.doingbusiness.org) dataset.

\(^{18}\) Defined generally as business, tax and social security registration.

\(^{19}\) [http://www.cra-arc.gc.ca/tax/business/topics/bn/bro/faq-e.html](http://www.cra-arc.gc.ca/tax/business/topics/bn/bro/faq-e.html)


\(^{22}\) [http://www.doingbusiness.org](http://www.doingbusiness.org) see CaseStudy.aspx?economyid=167
52. Business registration applications need to be made in person and in hard copy, with all the required attachments. Only one locality (Ho Chi Minh City) has facilities through which applications can be e-mailed. Standard application formats are issued by the Ministry of Planning and Investment. However, these forms “standardize” the content, and not the form itself; every province produces and uses its own forms locally. In most cases, forms are not available for download from provincial websites. Implementing decrees and circulars provide information on the order and procedures of business registration, but the business processes in each BRO are designed, organized and managed by each BRO itself. This introduces locality-based variances in service standards and quality.

53. In the majority of BROs, registration workflows are managed without the use of information and communication technologies. Registry information resides on manually kept hard copy records and/or on records that combine hard copy with some type of simple computerized record. Access to historical information on record takes time. BROs function with varying number of staff having diverse qualifications.

54. The business registration system is organized in a horizontal structure, where every BRO belongs to the administrative system of the local authority. In comparison, the General Department of Tax (GDT) has a vertically linked organization structure: local tax offices are a part of the organization of the GDT administratively. The GDT organizes and manages most of its workflows with the help of information and communication systems, available from its Information Technology and Statistics Center. As a result of its institutional set up, GDT is able to manage the qualifications of its staff qualifications and quantity and staff training needs.

55. When applying for tax registration, enterprises have to submit a notarized copy of their business registration certificate and an application form which is downloadable from the website of the tax administration. Tax registration results in a nationally valid code that follows the enterprise whichever province it locates to. Staffing and operational finance challenges are experienced to a lesser extent. Tax registration takes about 5 working days at provincial tax offices and about 10 working days at lower level tax offices, where household businesses register.

56. The GDT and the General Statistics Office, which also has a vertical institutional structure and computerized systems, are able to exchange information.

57. Provincial Departments of Public Security issue seal making permits to businesses that have completed business registration. Decrees and circulars issued at the central level set the procedures for company seal permit application and issuance. Basic information about the enterprise is declared on a set form, attached with a copy of the business registration certificate. The process takes about 7 working days.
58. As can be seen above, the procedures for business, tax registration and seal engraving permits have to be completed according to procedures set at central level. Enterprises have to submit similar information to each agency. Different institutional structures (e.g. horizontal versus vertical), procedures that need to be conducted in a sequential manner under the existing legal framework and varying levels of automation enable information sharing only through hard copy documents, in again a sequential process. All of this increases the amount of time spent to complete each registration as well as the costs incurred.

Lessons from One-Stop-Shops

59. Vietnam has tried launching additional initiatives to expedite starting up a business after the initial positive results of implementing the Enterprise Law were observed and evaluated. Among these initiatives is the One-Stop-Shop (OSS) mechanism. Under the public administrative reform program, the Government instructed all public administrative offices at local levels to implement the OSS\textsuperscript{23} mechanism to deal with the requests of the people and organizations since January 2004\textsuperscript{24}.

60. At the provincial level, departments set up OSSs that are called “Receiving Requests and Delivering Results Unit”\textsuperscript{25}. The most commonly found OSS throughout Vietnam is one that is set up by the provincial Department of Planning and Investment (DPI). Typically a DPI OSS allows applications to be made for only the services of its own divisions, including for business registration, foreign investment licensing and some other public services such as notarization. So far, OSS results in Vietnam have been mixed. Most OSSs remain as simple physical clusters of representatives of each service producing division of one provincial department receiving applications and delivering results at a single location.

61. In the most cited successful example of OSS that is operated in the Lao Cai\textsuperscript{26} province, the provincial People’s Committee has authorized the Business Registration Office to receive applications for tax registration and seal permits so that they may be processed simultaneously by basically running a behind the scene post office operation of sending and receiving applications to the provincial tax and public security offices respectively. According to the PCI dataset, length of time it takes to register a business in Lao Cai was 41 days in 2005.

62. The less than satisfactory results achieved during OSS

\textsuperscript{23} Simplification in administrative practices has been attempted through “one-stop-shop” (OSS) mechanisms. Governments have basically used two models: by offering a number of services needed by a certain client from one physical location without changing how each service is produced or by attempting to collect the authority to offer a number of services under one organization. Feasibility or effectiveness of implementing the second model of OSS, where an attempt is made to collect all authority required to offer a large number of services under one roof has frequently been questioned due to its difficulty; See Sader (2000).

\textsuperscript{24} With Prime Minister’s Decision No. 181/2003/QD-TTg, dated 4 September 2003.

\textsuperscript{25} http://www.caicachhanhchinh.gov.vn/English//MechanismInitiative/OneStop

\textsuperscript{26} MPDF-VCCI (2006).
implementation provide a number of lessons. First, an OSS should not only be a physical cluster of windows that continue to provide the services without changing the way it is produced. When possible, procedures (governed by the applicable legal framework) and business processes implemented in the localities need to be re-engineered. However, such re-engineering of market institutions and systems should not be done in a piecemeal manner and result in locality-based differences.

63. Second, we have to accept that only some improvements can be made without the benefit of information and communication technologies. Best testament to the impact of technologies is provided by the top performing countries according to Doing Business: when manual processes are used, their statistics do not differ much from those of developing countries’. Even if procedures and business processes are re-engineered as much as possible, when manual systems are used for exchange of information between different agencies desired efficiency is difficult to achieve.

64. Finally, we need to consider the way basic market regulating and facilitating institutions such as business registries, taxation and social security should be made to function more effectively. Services provided by these institutions should be available at the same quality to all their clients, wherever they are offered in a country. Even countries having federal government systems (e.g. Canada, Australia, USA, Malaysia and others) have been moving towards standardizing the quality of services from these basic market institutions nationwide. This is easier to achieve in countries that have unitary government systems such as Vietnam and the majority of countries in the world. Information and communication technologies of today, combined with simplification of procedures, including the governing legal framework, and business processes, offer relatively inexpensive ways of achieving this end.

VIII. Future of starting a business in Vietnam

65. Government of Vietnam has instructed the business registration, tax and seal permit issuing agencies to further simplify the procedures for starting a business. This requirement has been inserted into the SME Development Plan 2006-2010 as well as issued as a Prime Minister’s instruction to relevant agencies. Accordingly, the Ministry of Planning and Investment (MPI) has taken the lead by setting up a task force for implementing these instructions. On this occasion, I would like to thank UNIDO and the Government of Norway for providing continuous and extensive assistance to Vietnam in achieving this task.

66. MPI has set up an Implementation Planning and Mobilization Task Force (IPM TF) for Vietnam Business Registration Reform at the end of July 2006. The IPM TF has members from the Business Registration Division, MPI, General Department of Tax, Ministry of Public Security, Business Registration Offices and General Statistics Office, as well as
representatives from private sector, practicing lawyers, academics, IT and public relations specialists as well as a 9 person-strong UNIDO technical assistance team.

67. At this time, I am pleased to announce that the IPM TF has already completed the detailed design of the planned reform at the end of October 2006 and will have completed detailed implementation planning and mobilization phase as of the end of January 2007. We incorporated the lessons learned to date and expect to launch the implementation phase nationwide around April 2007.

68. Our design is characterized with the following features, Figure 1:

a. **Single point registration** for business, tax, statistics and seal permit purposes, using a **consolidated form**;

b. A **unique enterprise ID** valid nationwide and throughout the lifetime of the enterprise and beyond, and recognized by the systems of business, tax, statistics and public security agencies;

c. A **national, computerized business registry** that would service 64 provincial business registration offices;

d. Facilities for **e-registration services and private and public information services** nationwide;

e. **Strengthened capacity** in the national support organization and at 64 BROs through the implementation of an extensive capacity building program, including application of information and communication technologies.

**Figure 1 Future of starting a business in Vietnam**
69. We expect the new registration systems to cut the time it takes to register for business, tax, statistics and seal permit purposes down to 1 day, when registration operations are conducted on-line.

70. We identify the prerequisites for achievement of our goal as:

a. Good collaboration between the relevant agencies;
b. Re-engineering of procedures at the institutional level;
c. Re-engineering of the business processes at the organizational level;
d. Application of information and communication technologies to re-engineered procedures and processes;
e. Capacity building in the organizations involved, and
f. Awareness raising among the private and public sector stakeholders—Private sector development depends on these market regulating and facilitating institutions to function efficiently and effectively for all stakeholders.

71. When fully operational we believe the information services provided by the business registration system in Vietnam will prove to be highly valuable both to public and private sector stakeholders and move Vietnam further down the road in private sector development.
IX. References


