



From Business Idea to Reality

Still a Long and Costly Journey

Hanoi 2005

Table of contents

ACKNOWLEDGEMENTS	5
EXECUTIVE SUMMARY	7
PART I: LEGAL PROCEDURES: OBSTACLES TO THE REALIZATION OF BUSINESS IDEAS	11
1. BUSINESS REGISTRATION	11
1.1 Business registration procedures	11
1.2 Business registration the reality	12
1.2.1 Registration time constraints	12
1.2.2 Business registration obstacles	12
1.3 Explaining differences in the business registration procedure and reality	13
2. SEAL MAKING	15
2.1. Seal making procedures	15
2.2 The reality of making a seal	15
2.3 Explaining constraints in seal production	15
3. TAX AND CUSTOMS CODES	16
3.1. Tax code procedures.	16
3.2. Tax code reality	16
3.3 Explaining delays in tax and customs code issuance:	17
4. OPENING A BANK ACCOUNT	18
5. BUYING OFFICIAL RECEIPTS	18
5.1. Procedures for purchasing receipts	18
5.2. The reality of accessing business receipts	18
5.3. Explaining these constraints	19
6. BUSINESS LAND	19
6.1. Procedure for leasing and granting land use	19
6.1.1. Land use rights	19
6.1.2. Leasing land from the state	20
6.1.3. Changing the land-use purpose	20
6.1.4. Transfer of, leasing of and making a capital contribution with land use rights	20
6.2. The reality of accessing land	21
6.2.1 Accessing state land-use rights or leasing land from the state	21
6.2.2. Accessing industrially zoned land	22
6.3. Explaining delays in land distribution	23
7. CONSTRUCTION OF A FACTORY OR PLANT	25
7.1 Procedure for licensing the construction of premises	25
7.1.1. Developing a construction investment project	25
7.1.2. Design of construction	25
7.1.3. The construction permit.	25
7.1.4. Carrying out construction	26
7.1.5. Supervision of construction	26
7.2. Construction reality	26

8. BUSINESS LICENSES, PROFESSIONAL CERTIFICATION AND BUSINESS CONDITIONS	26
8.1. Diversity of licensing authorities	27
8.2. Ambiguity of licensing procedures.	27
8.3. Capacity in license granting and supervision	28
8.4. LICENSING PROBLEMS	29
PART II. FINDINGS AND RECOMMENDATIONS	31
1. FINDINGS	31
1.1. Numerous, troublesome, time-consuming and costly administrative procedures	31
1.2. No uniform or comprehensive understanding of the "one-stop mechanism"	32
1.3. Unforeseen administrative procedures	32
1.4. Coordination between state authorities	32
1.5. Complicated and frequently changing legal regulations	32
1.6. Poor relationship between enterprises and state authorities	33
2. RECOMMENDATIONS	33
2.1. Improving current regulations	33
2.1.1. Review and publicise the list of conditional businesses	33
2.1.2. Reform business registration, seal, tax code, receipt buying procedures	34
2.1.3. Simplify procedures for the granting or leasing of land and construction	34
2.1.4. Define a uniform approach to licenses.	34
2.1.5. Establishing a uniform approach to State, Ministerial and Provincial government plans	35
2.2. Enhancing the management quality of the state authority	35
2.2.1. Improving the business registry system	35
2.2.2. Improved coordination between the state authorities	36
2.2.3. Establishing a partnership between citizens and the state	36
2.2.4. Further research	36
REFERENCES	36
ANNEX: ADMINISTRATIVE PROCEDURES AND REQUIREMENTS.	39
STAGE ONE: BUSINESS REGISTRATION	39
STAGE TWO: SEAL MAKING	40
STAGE THREE: TAX CODE	40
STAGE FOUR: OPENING A BANK ACCOUNT	40
STAGE FIVE: PURCHASING OFFICIAL RECEIPTS	41
STAGE SIX: APPLYING FOR LAND USE RIGHTS	41
STAGE SEVEN: CONSTRUCTION	42



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Executive Summary

1. Background

Business ideas in any country are varied and numerous and success is often difficult. Business ideas may not be realistic or appropriate, business opportunities may be missed, or a business may not have the financial capacity to succeed in its business plan. In addition, administrative procedures present an obstacle to the process of realizing a business idea. These administrative obstacles are found at all levels of state authority and all contribute to making a business idea difficult, costly, time consuming or even impossible to achieve or pursue.

Global and regional research indicates that businesses in poor countries face much larger regulatory burdens than those in rich countries¹. They face three times the administrative costs, and nearly twice as many bureaucratic procedures and delays associated with them. Heavy regulation excludes the poor from doing business and is associated with informality, corruption and less productivity². Reform and simplification of administrative procedures are key factors for business development and economic growth.

This report looks at business administration procedures from the point of application for business registration through to access to land, building of a factory and further business operation requirements. Seven administrative steps have been identified which include the following:

1. Business registration
2. Seal making
3. Tax code and customs code assignment
4. Bank accounts
5. Leasing of a head office and/or land
6. Building a factory
7. Application for a license or preparation for business conditions.

All businesses undertake the first five administrative procedures, from business registration through to the leasing of a head office, which is required to receive VAT invoices. Not all will then

1 Doing Business in 2005: Removing Obstacles to Growth. A co-publication of the World Bank, the International Financial Corporation and Oxford University Press.

2 Doing Business in 2004: Understanding Regulation. A co-publication of the World Bank, the International Financial Corporation and Oxford University Press.

go on to lease land and then build a factory. Service companies, such as travel agencies and restaurants may be limited to the first 5 procedures, while manufacturers will need access to land and may construct factories to house their operations. In addition most businesses, once operating, will then be subjected to some form of further legislation and administrative procedures such as labour laws and contracts, bank credits, state inspection, bankruptcy, etc.

This report looks at the actual length of time, cost and administrative problems investors suffer in fulfilling these procedures. The report is divided into two parts. Part one analyses these procedures asking i) what the procedures control or regulate? ii) is there a difference between regulation and enforcement? iii) how can the difference between the legislation and an actual procedure be explained? Part two details recommendations for overcoming problems in the implementation of business legislation.

Our survey used a mixture of desk research and secondary statistical analysis through questionnaires as well as interviews and surveys with both enterprises and administrative units. 80% of enterprise surveys were carried out indirectly, with the remainder carried out through face-to-face interviews. In total 175 enterprises were surveyed across 7 provinces, An Giang, Hung Yen, Quang Nam, Dak Lak, Ha Tay, Ha Nam and Lao Cai. Specific findings from the 7 provinces are available in a separate report.

In the short term, it is hoped that the report can be used as a reference tool for the drafting committee of the Unified Enterprise Law. In the long term, the report will be a foundation for building a comprehensive reform program for the enhancement of the business environment in Vietnam.

2. Main Findings

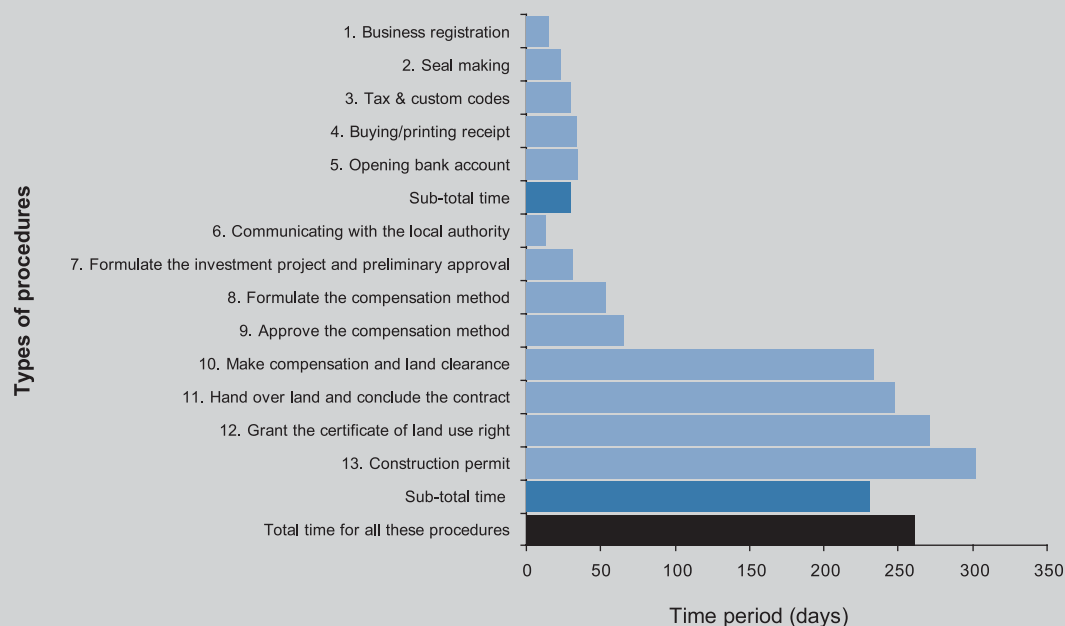
Administrative procedures present the most important hinderance to the realization of the business idea of entrepreneurs. Administrative procedures are often prolonged in the implementation of laws and regulation. In many cases, laws and regulations are interpreted in a way that is unfavorable for investors. Unfriendly attitudes towards the business and the lack of coordination between different administrative units and government bodies make the problem worse.

The survey results indicate that it takes around 260 days to go through 13 administrative procedures, taking enterprises years to get through and into production. The total cost associated with this is high and extra costs substantially outweigh statutory fees. This is in line with other survey findings globally that have found developing countries with substantial time constraints in establishing business³.

Access to land and the regulations surrounding land continue to be of the most major concern to businesses and often present significant hindrance in establishing the next steps of their business. While property for a head-office, branch, representative office and stores/shops may be more easily accessed either through purchase or leasing, accessing land for production and the building of a factory is often a much more difficult prospect.

³ To register a company, it takes 203 days in Haiti and 215 days in the Republic of Congo. In Russia, procedures for forming a company have been reduced from 19 to 12 days. In Canada, it takes only 2 days to register a company with only 2 procedures.

Time period for fulfilling all procedures necessary to start a business legally (days)



*Note: Often, only processing and manufacturing enterprises have to go through all of the 13 procedures.

3. Main Recommendations

Our key recommendations focus on the business registration process and license requirements. The business registration process is needlessly long and fragmented. A simplified system that combines business registration, seal production, tax and customs code issuance and receipt books would significantly reduce both the time and cost of business registration and is fairly simple to implement.

Furthermore the current system and requirements for licenses is extremely fragmented, further causing businesses delays and allowing for often arbitrary demands in the registration process. This system needs to be brought under control by the authorities, under one administrative unit, simplified and clearly conveyed to all, both businesses and government agencies.

Particularly, it is extremely important that the Government issue and publicise explicitly a nation-wide accessible list of conditional businesses as well as the specific required conditions and procedures thereof. Besides, a uniform approach and strategy to business licenses must be worked out and adopted.

Our other recommendations include: a uniform approach to state, ministerial and provincial government plans, enhancement of the management quality of the state authority, improved coordination between the state authorities and establishment of a partnership between citizens and the state.



Part 1

Legal procedures: Obstacles to the realization of business ideas

1. Business registration

1.1 Business registration procedures

The conditions for business registration under the Enterprise Law (1999) are considered by all to be a vast improvement. Before the reforms under the Enterprise Law it took over 90 days to register a business. The new Enterprise Law requires registration approval within 15 days. Costs have also fallen from VND10 million under the previous system to VND 500,000 today⁴.

Business registration applications are filed with the Department of Business Registration in the province or city where the company's head office is expected to locate. A certificate of business registration should then be issued by the provincial department of business registration within 15 days of the day of filing a lawful business application as long as legal requirements are met and the company or its directors are not prohibited from operating a business.

During operation, a company can also expand its business by opening branches and representative offices. An application should be filed with the provincial department of business registration where the branch or representative office is expected to locate. A certificate of registration should be issued within 7 days of submitting a lawful application and if the activities of the branch are in conformity with the company's business activities. The Annex details all the application requirements for registering a business.

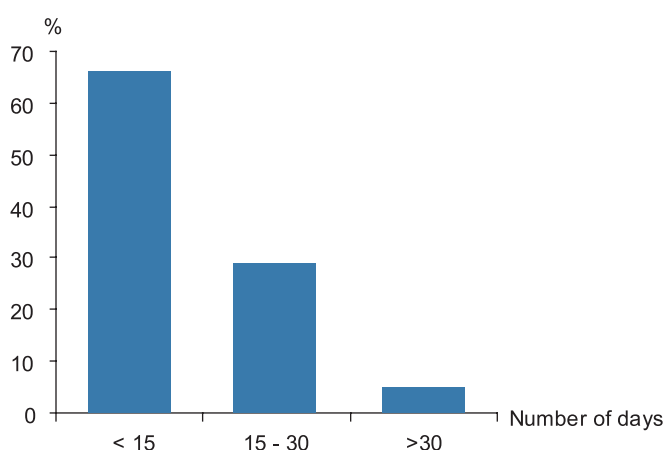
⁴ High Time for Another Breakthrough: Reviewing of the Enterprise Law and Recommendation for Change, Nguyen Dinh Cung (2004), CIEM, GTZ, UNDP, p.11

1.2 Business registration the reality

1.2.1 Registration time constraints

Though the new enterprise law requires registration within 15 days, some provinces are reported to register businesses in 7 days and others can complete registration in 2-3 days. This survey found that 66% of enterprises surveyed⁵ in the selected provinces were granted a business registration certificate within the statutory 15 days, 29% received their certificate within 30 days while 5% reported that it took longer than 30 days to receive their certificate.

Figure 1: Business registration certification time length

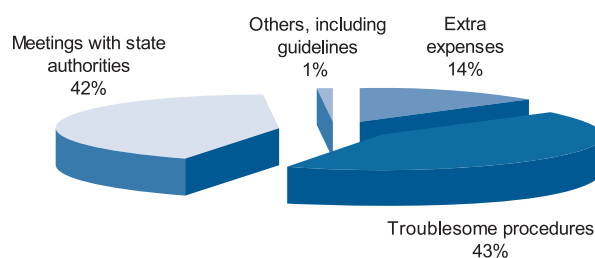


Provincial survey results show a number of provinces issued business registration certificates over the 15 day legal obligation. In Hung Yen, 41% of companies reported business registration certificates were issued in more than 15 days, in Đak Lak, 48%, Ha Nam, 48% and Ha Tay, 67%. This compares with only 7% in Quang Nam, 17% in Lao Cai and 26% in An Giang. It would appear then that despite changes within the business registration system and statutory requirements, a number of provinces are finding it difficult to comply.

1.2.2 Business registration obstacles

43% of companies surveyed identified troublesome procedures and 42% numerous meetings with the registrar as major obstacles to registering their businesses. Only 4% of all businesses surveyed felt they incurred no difficulties.

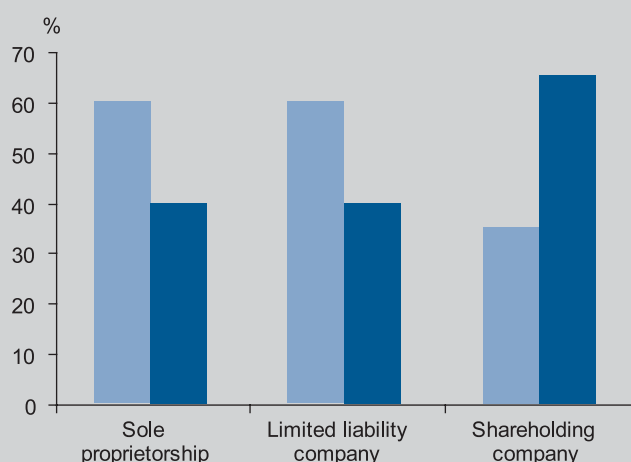
Figure 2: Obstacles to business registration



⁵ All data in this report was retrieved from a survey conducted jointly by Vision & Associates and CIEM under sponsorship of GTZ. The survey received 175 responses across 7 provinces, An Giang, Hung Yen, Quang Nam, Dak Lak, Ha Tay, Ha Nam and Lao Cai.

Though official costs have been reduced substantially, 45% of surveyed enterprises incurred some form of extra expense in registering their business. Calculation of these extra expenses is difficult to estimate accurately. However, based on interviews we estimate that extra expenses incurred are around VND100,000 for sole proprietorship businesses and VND200,000 for limited liability and shareholding companies. 65% of shareholding companies stated they incurred extra expenses compared with 40% in the case of sole proprietorships and Limited liability companies. The business registration procedures for shareholding companies are felt to be more complicated than other enterprise formats. Nevertheless, only 14% of business surveyed felt that extra expenses were an obstacle to the registration process, with other constraints being higher up their agenda.

Figure 3: Statutory and extra expenses in business registration (%)



1.3 Explaining differences in the business registration procedure and reality

There are a number of general and specific obstacles and delays in the business registration procedure that slow down the registration process.

- **Fear of disreputable business sectors.** It is difficult to register some business activities which business registrars consider as socially unacceptable activities. In some provinces, activities such as karaoke bars, accommodation rental, massage services, nightclubs and coffee shops are regarded as susceptible and, therefore, prohibited implicitly or explicitly from doing business by local authorities or ministries.
- **Some business sectors and activities are prohibited for illogical and monopolistic reasons.** For example, "rubber harvesting" is not allowed in some provinces, due to a fear that rubber latex may be misappropriated from the State; taxi licenses are temporarily stopped as authorities fear disorder due to too many taxi-service providers. More worryingly, some business registration departments may hinder business registration in activities where state-owned enterprises are operating, protecting state-owned enterprises from competition.
- **Directing business formats:** Freedom in selecting a business enterprise format is also sometimes hindered. In some provinces, investors may be "forced" to set up a new enterprise rather than opening a branch office. The reason behind this is if an enterprise is registered in a province and opens its branch office in another province, the tax revenue from

the branch office will not be collected by the tax authorities in the province where the branch office is located but by the tax authorities of province where the head office is based. Other areas predetermine the type of enterprise format that can carry out certain business activities. For instance, in Dak Lak, a petroleum supplier must be sole proprietorship rather than a household, though national legislation does not stipulate this.

- **Increasing documentation:** Businesses may be asked for extra documents by the business registrar often contrary to statutory requirements. Investors are sometimes required to prove their capital when registering activities which are not subjected to minimum capital requirement⁶. They may also be required to prove they are lawfully entitled to use the property their head office may reside in. Registrars may then refuse business registration of a business whose head office is in an area of possible redevelopment. Registrars do this as they could also be subject to reprimand if they register a business whose head office is located in a redevelopment area.
- **Blocking changes in registered details:** Registering changes in a company's members is sometimes impossible as business registrars are afraid that this procedure may be abused by enterprises who wish to use the system to illegally transfer their land to other investors. From a legal perspective, refusal to register changes in the company members is unlawful if the capital share is transferred in conformity with the law.
- **Adding new layers of bureaucracy:** The inflexible implementation of new systems, designed to simplify procedures has also added a new layer of problems. The "one-stop" system exemplified in Lao Cai provides business people with a means to submit and apply for business registration, a tax code and a seal at one time, dealing with only one office. While this "three-in-one" system works well in Lao Cai, in Dak Lak the system has caused a number of problems. The system has effectively added one more step to the business registration procedure as businesses are forced to use the one-stop desk, who simply pass the documents on to the business registrar and back to the business, creating one more step in the chain and failing to simplify the system.
- **Capacity of state officials:** State officials and leaders are often not fully aware of the meaning and essence of business registration processes⁷. Business registrars often operate under very high pressure and are afraid of being criticized, blamed and condemned by their leaders and other bodies, particularly the police and the tax authorities. If an enterprise is discovered to be doing something illegal the business registry is often blamed for authorising the business registration initially.
- **Irrational and contradictory laws:** Though the Enterprise law calls for certificates of professional practice in six areas⁸, changes in other areas such as construction, call for ever more professional certificates. The law also calls for certified criminal records to be submitted when registering a business despite this being extremely hard to obtain. The registrar is also legally liable should he issue a business license to someone who has a criminal history despite it being impossible for criminal records to be verified.

6 Some enterprises have reported having to prove their capital by showing money and gold to the local authority.

7 Cao Ba Khoat (2005): Forever Misery. Confusion between the certificate of business registration and business licenses is still a popular phenomena.

8 Article 6(2) of Decree 03/2000/ND-CP. The six areas are: (i) legal service; (ii) medical and pharmaceutical services; (iii) veterinary service; (iv) architecture service; (v) auditing service; and (vi) stockbroker.

Business registrars are also able to arbitrarily decide on submitted business names. Registrars must consider names under an ambiguous framework of "historical and cultural tradition, good morals and good custom of the nation", while the relationship between the name in Vietnamese and English is unclear. Finally, there is no nation-wide database to store and check the business names of all enterprises, which has strongly undermined the effectiveness of the regulation.

2. Seal making

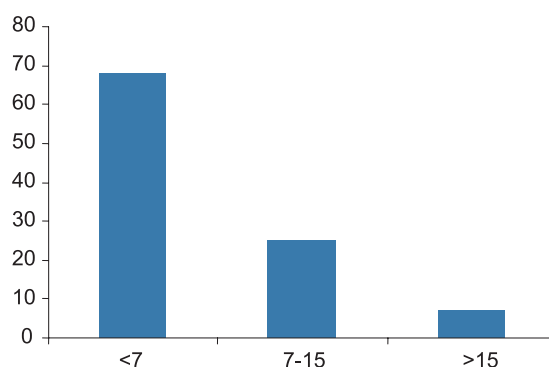
2.1 Seal making procedures

A seal-making license should be granted within 7 days of submitting an application. Once the license is received, a seal can be made. The seals print must then be submitted to the police for the purpose of registration and sent to other relevant bodies. After that, a "certificate of registering the print of a seal" shall be granted to the enterprise. The certificate costs VND20,000. If business changes are made, such as moving office, new seals must be made using the same procedures. Annex two details all the application requirements.

2.2 The reality of making a seal

Our survey found that it takes an average of 8 days to obtain a certified seal. 25% of the companies surveyed spent more than 7 days on the process, with 7% spending more than 15 days.

Figure 4: Time period for making a seal (days)



The cost for receiving a seal, including the application fee and the charge for making the seal, is estimated at between VND 220,000 to VND 300,000. Our survey results show that the majority of enterprises paid more. We estimate the extra costs incurred by companies as around the same as the official cost or VND 220,000 to VND 300,000.

2.3 Explaining constraints in seal production

Our survey shows that the seal making procedure may be delayed and costly due to the following reasons:

- **Cumbersome regulations:** As detailed above, the seal making procedure requires three sub-procedures. The time period for these procedures is overly long and implementation of

regulations unclear. In the case of letters of authorisation, if the applicant is the legal representative of the company, the company manager such as a director, chairman of the board of directors, do they need to be given a letter of authorization? and who should sign such a letter? This enables the police to act under their own discretion when authorizing a seal.

- **Lack of a seal maker:** The seal making process is further delayed due to the lack of a seal maker in some areas causing businesses to have seals made outside of the province.
- **Understanding of the role of the seal:** The cumbersome procedures we describe above may also explain an overall lack of understanding of the actual function of the seal. The seal is simply a distinctive symbol or logo of a company to be used in its activities. The registration of a seal ensures it is lawful as well as providing third parties with relevant information related to an enterprise. The police are responsible for protecting the seal and company from its counterfeit use. The current state management over an enterprise's seal is both costly for businesses and inefficient.

3. Tax and customs codes

3.1 Tax code procedures

Companies and sole proprietors apply for tax codes from the provincial tax authorities whereas the district tax authority grants tax codes to household businesses. The tax code should then be granted within 8 working days by the provincial tax authority and 12 working days by the district tax authority, after submission of a complete application. The tax code is issued in the form of a 'certificate of tax registration'.

If enterprises wish to import and/or export, they should apply for a customs code. Customs codes and tax codes can be obtained simultaneously. A customs code should be granted within 3 days of receiving a complete application. If a customs code is granted, a new certificate of tax registration should be issued replacing the previous one. The tax registration form is also reissued when there is change in the enterprise's name, the head office moves to another province, or the enterprise restructures its form, merges or is sold. If a company changes its name, head office address or business form they shall be granted a new certificate of tax registration without any changes to their tax code. Annex three details the tax and custom code application requirements.

3.2 Tax code reality

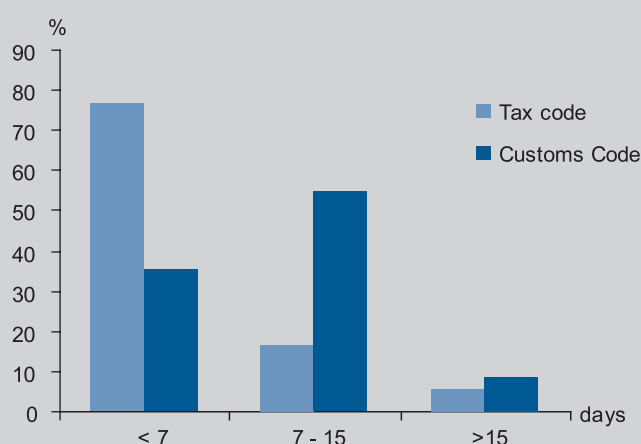
The majority of companies surveyed received their tax code within 7 days. 70% of surveyed enterprises received their tax code within 7 days, 17% within 15 days and 6% after 15 days. Though on average it takes 7 days to obtain a tax code, this is measured from the day of submission of a correct application, accepted by the tax office and does not reflect the time taken to ensure the application is correct. Although no fee for applying for tax code should be charged, 15% of surveyed enterprises had spent more than VND100.000.

3.3 Explaining delays in tax and customs code issuance:

Though the delays in issuing tax codes appear to be generally small, they are still there and are a hindrance and delay for a number of businesses and are an area that could become worse if not dealt with.

- **Actual time taken:** The time taken to grant a tax code is measured from the date a completed and full application is received. The time taken to get to the point of submitting a complete and correct application can be substantial. The time limit under the law is overly long, especially as the tax code is needed by the government itself to start collecting taxes. It would be more efficient if a tax code was automatically issued with every new business registration.

Figure 5: Time taken to receive a tax or customs code.



- **Misunderstanding of the tax law:** Tax authorities have on occasion refused to issue a tax code for an individual due to the fact that that person has a tax code already for another company. The authority in question failed to recognize the difference between an individual and a company and its representative. The law does not prohibit one person from being director or representative of more than one company.
- **Bureaucratic overlapping:** The process of applying for a tax code includes the need for information that is unnecessary and which is submitted and is included in other areas and documents. The tax office requires details of all shareholders, while this is already included in the business registration certificate which is also required. Any errors in submitting this duplicate information causes further delays.
- **Tax or customs?:** A customs code is not automatically granted to enterprises together with the tax code. If enterprises want to import or export, after being granted the tax code they must apply for a customs code. Enterprises must add import and export activities to their business registration and then they are able to apply for their customs code.

The law states that a customs code should be applied within 3 days of receiving a complete application. Our survey found that 55% of surveyed enterprises obtained their customs code in between 7 to 15 days, with 9% received it after 15 days.

4. Opening a bank account

In order to conduct financial transactions, enterprises must open an account in the form of a savings account at a bank. The bank examines the application and opens an account within a day. There is no trouble in opening an account at a bank.

5. Buying official receipts

5.1 Procedures for purchasing receipts

Once a tax code is received, enterprises can either buy receipts issued by the Ministry of Finance or use receipts printed by themselves. Only two sets can be purchased at first. When an enterprise wishes to purchase further receipts a similar procedure must be taken and only once all past receipts have been used. An enterprise can only purchase the exact number of receipts previously issued. Receipt books are issued within 5 days of receipt of an application while the tax office checks that the business is being carried out at the address stated. The VAT and retail receipts vary in price from VND 8,000. to VND 14,700.

Figure 6: Time spent on buying receipts (days)



If enterprises want to print their own receipts a more detailed procedure and application process must be undertaken, detailed in annex five. Approval for the printing of the receipt is issued within 5 days and the receipt must be printed by a printer designated by the tax authority. The printing contract must state the number of and series of receipts. These are then registered with the tax authority and they then decide the number of receipts the business is allowed to use monthly or quarterly.

5.2 The reality of accessing business receipts

Our survey found that 46% of respondents spent more than 3 days in buying receipts. 76% of surveyed enterprises incurred extra expenses in order to speed up the process.

While the process for purchasing receipt books was simplified in 2003 and the number of documents required was reduced⁹, the process is still overly time consuming and extremely cumbersome. The number of documents required remains high and often requires the company director or a company representative to visit the tax authority several times. Indeed while the

⁹ Circular 99/2003/TT-BTC reduced a number of documents from the application process though many businesses feel this is a small step and the process needs further reform.

current legislation calls for only 3 documents without notarization, some companies have been asked for as many as 17 documents, including a number notarized. Such arbitrary decisions by the tax office despite the legal framework remains common.

5.3 Explaining these constraints

The system of purchasing receipts is both arduous and unnecessarily complicated and time consuming, with some tax authorities continuing to act arbitrarily and further complicate procedures despite legislation aimed at reducing these complicated procedures.

- **Too many layers:** There appear few reasons why the receipt book can not be approved and supplied at the same time as the tax code. Further more, the process for a company to print its own receipts includes additional 4 sub-procedures causing further delays. As a result few companies opt to print their own receipts. Due to the complicated procedures in both receipt types some companies have to employ a person solely to purchase receipt books.
- **Time:** The current time for receiving receipt books is too long, 5 days. At the same time the information required overly duplicates already supplied documents which provide this information. Companies are further constrained by the opening hours of the receipt office which opens only 3 days per week.

6. Business land

6.1 Procedure for leasing and granting land use

Access to land and the regulations surrounding land continue to be of major concern to businesses and present significant hindrances in establishing the next steps of their business. While property for a head-office, branch, representative office and stores/shops may be more easily accessed either through purchase or leasing, accessing land for production and the building of a factory is often a much more difficult prospect.

Different types of land defer users different land use rights in Vietnam Business generally use non-agricultural commercial land whose use can be granted either i) to enterprises with a land use rights, ii) to enterprises that lease from the state or iii) when land is transferred or leased to enterprises in Industrial zones.

6.1.1. Land use rights

To receive land use rights on already cleared land, an application should be submitted and a decision will be given within 10 days of the land authority receiving a full and lawful application. Once land has been granted, a business must settle all financial requirements for the land agreed with the authorities. Within 10 days of the completion of financial requirements the land and a land use right certificate will be granted to the enterprise.

For un-cleared land a decision will be made within 30 days of receipt of a lawful application. The District People's Committee is then responsible for paying compensation and clearing the land. Once the land is cleared, financial duties should be paid by the enterprise. Within 10 days of all payment a certificate of land use rights is granted to the enterprise.

Land with land use rights can be used as collateral, transferred, leased, donated, mortgaged, pledged and used as a capital contribution.

6.1.2. Leasing land from the state

Rather than receiving land use rights an enterprise can choose to lease land directly from the state. If the land needed is to be used for mining or extracting minerals or to extract minerals for the use in construction or ceramics then the land must be leased. Rent for leasing land is paid annually. Administrative procedures are similar to those for accessing land use rights. Leased land can not be used as collateral or leased on.

6.1.3. Changing the land-use purpose

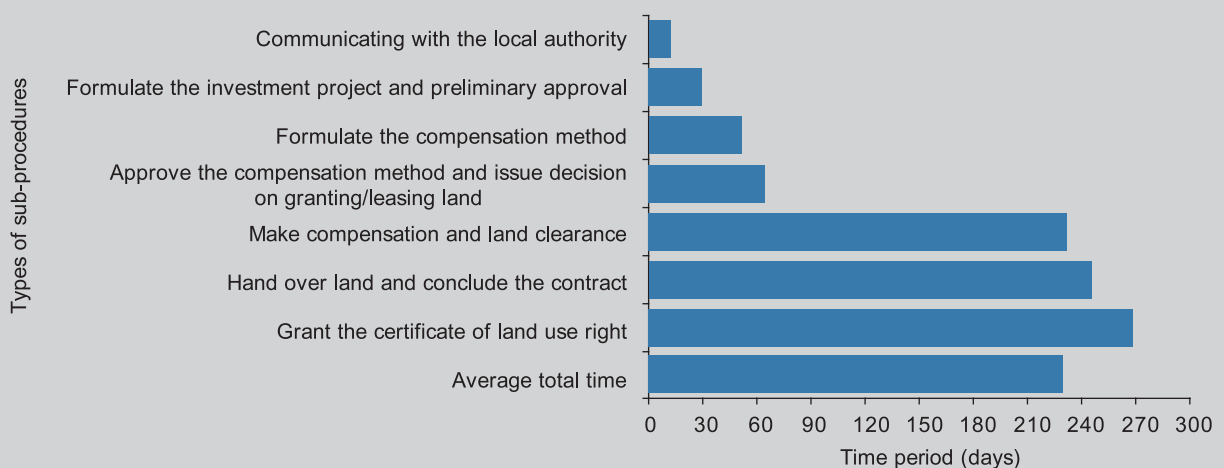
If enterprises lease or are granted land use rights for agricultural land, the land must be converted from agricultural to non-agricultural land. Land use must be changed before land is transferred to other users or contributed to the setting up of a company. If the land is leased, the leaseholder is not permitted to change the purpose of that land. This change must be done before the leasing agreement is finalised.

Land use changes must be decided within 20 days of a full application. If not approved the application will be returned with an explanation of why it was refused. If approved the business must pay all of his financial duties under the change and a certificate of land use rights, amended accordingly, will be given to the business within 5 days.

6.1.4. Transfer of, leasing of and making a capital contribution with land use rights

If the land use purpose is to be changed then this must be done before any leasing agreement, transfer of the land or contribution of the land as a capital investment. If land is to be used as a capital investment then an application must be submitted with the land use rights registration office. This office will register this capital contribution of land within 10 days of receipt of a lawful application.

Figure 7: Time period for leasing land or receiving land use rights



6.2 The reality of accessing land

6.2.1 Accessing state land-use rights or leasing land from the state

Finding and acquiring land for production is the most complicated step in accessing land, with at least seven administrative sub-procedures.

1. Communicate with the local authorities with regards to the land
2. Apply for preliminary approval to the competent authority
3. Formulate an investment project and plan for making compensation
4. Approve the investment project and plan for making compensation
5. Make land clearance
6. Hand-over land and conclude the land-leasing contract or issue the decision on granting of land use
7. Issue the certificate of the land-use rights.

The survey found that it can take approximately 230 days to finish all of these administrative sub-procedures with the process involving a variety of state bodies. Box One, illustrates the considerable delay that the land clearance and compensation process can have on the establishment of a businesses idea.

Box One

Leasing transferred land - What a Complicated Process!

To finalize the procedures for leasing transferred land, an enterprise in the Central Highlands revealed that they have to go through the following procedures:

1. A contract is agreed on the transfer of land-use rights to Enterprise A. The contract must be certified by the Provincial and District People's Committee where the land is located and the Provincial Department of Land Management.
2. Enterprise A submits an application to the District People's Committee to change the land-use purpose.
3. The District People's Committee examines the application and submits it to the Provincial People's Committee for approval. 45 days.
4. The Provincial People's Committee decides preliminarily whether to approve the application or not, after consulting other departments such as Department of Natural Resources and Environment, Agriculture and Rural Development. 90 days.
5. Once preliminary approval is received the Department of Construction in cooperation with other departments, inspects the land. Normally, land is inspected by the inspection commission which is established with representatives from relevant state bodies, including the Department of Construction, Industry , Land authorities and others. 43 days.

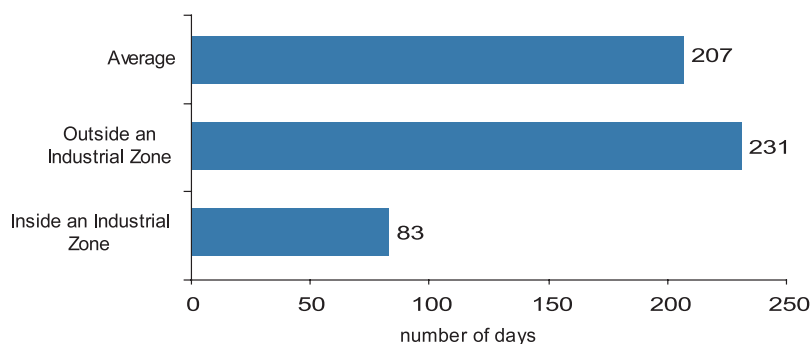
6. After inspecting the land, the Department of Construction is responsible for summarizing the opinions of relevant bodies and makes a proposal on permitting Enterprise A to use the land for the purpose specified and then submits it to the Provincial People's Committee for approval as well as forwarding it to the Department of Natural Resource and Environment and the Department of Industry. 110 days.
7. Based on the proposal and opinions the Provincial People's Committee shall decide whether the land-use purpose can be changed or not. 60 days.
8. The Department of Finance organizes a meeting of representatives from relevant bodies in order to specify the financial repayment in relation to the change of land-use purpose, which Enterprise A has to fulfill. The meeting often includes representatives from the Departments of Finance, Natural Resource & Environment, Tax, Construction and the District People's Committee. 42 days.
9. The proposed financial duties of Enterprise A are then submitted to the Provincial People's Committee for approval. 14 days.

In summary, it took the enterprise 404 days to go through these 9 sub-procedures with numerous state bodies involved, requiring up to 32 stamps and signatures throughout the application. Despite this, the process has yet to be completed for the enterprise.

6.2.2. Accessing industrially zoned land

Our survey found that it takes far less time to access land in Industrial Zones compared to State land outside of these zones. As we discussed above, it can take an average 231 days to receive state land while land in an industrial park only takes 83 days. Among the 7 provinces surveyed, the shortest time period for granting or leasing land was in Dak Lak, followed by Hung Yen, Quang Nam, Ha Nam, Lao Cai, Ha Tay and then An Giang. This result is consistent with the results of a recent provincial competitiveness assessment¹⁰. This assessment considered Hung Yen and Quang Nam as progressive where as An Giang was weak and Ha Tay was ranked lowest.

Figure 8: Time for receiving land use rights or leasing

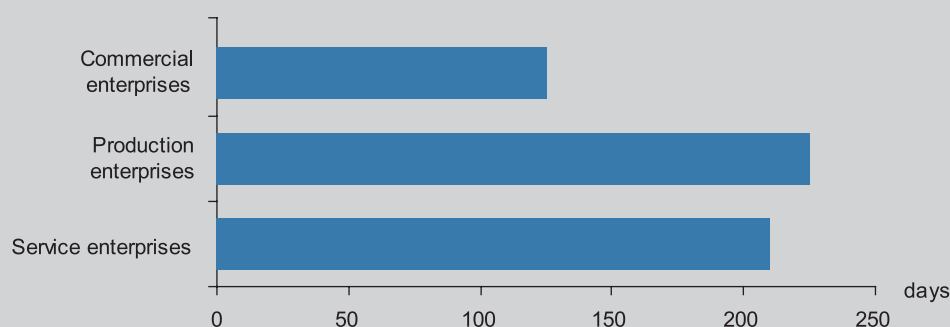


10 VNCI-VCCI (2005): The province competitiveness index on the business environment in Vietnam

6.3 Explaining delays in land distribution

There is no doubt that the process of accessing land for productive purposes is time consuming and costly for businesses, causing substantial delays in getting a business idea up and running. This is a problem affecting all businesses, especially the productive sector who are more dependant on land for their business. Figure 9 illustrates this. Why then can it take some businesses 2 to 3 years to access land?

Figure 9: Average time to receive rights or leased land by type of business



- Compensation for land clearance: The new Land Law stipulates that enterprises must cooperate with People's Committees in negotiating compensation with local residents. This causes substantial problems for enterprises as they often take longer to deal with and come to an agreement with local residents. The accelerating land prices in Vietnam has led to residents holding out or demanding higher prices and also asking for further compensation after initial compensation has been paid if the price of land rises.

Box Two

Compensation and jobs for land clearance

Residents of one area to be cleared demanded that in addition to agreed compensation, employment should also be provided by Enterprise B for each land deal. If a job could not be found then further compensation of VND 5 million for each labourer should be paid.

Enterprise B employed 50 people through this system out of a need of 300 workers. They were forced to employ workers from the area who were low-skilled and poorly educated, who did not meet the requirements of Enterprise B. To train more of these low skilled workers would have been costly and Enterprise B foresaw other problems should it have to terminate their contracts. It was cheaper for the company to pay the extra compensation.

- **Complicated land clearance systems:** Land clearance disputes have been seen throughout Vietnam. Box three illustrates the problems faced in land clearance where local residents may oppose the decision of the local People's Committee.
- **Sticking to land use purposes:** The current system of land use categorisation causes a number of problems and delays and is seemingly unreasonable. Add to this that land is granted only for specific investment projects and can not be used for other purposes than the project, then we have a system that extremely limits the use and transfer of land. Administrative delays and changes in the business environment may force business to change the land use purpose forcing them to go through the process again or have allocated land returned to the state.
- **Socio-economic impact or investment:** Local authorities consider the feasibility and social-economic efficiency of investment projects when approving land distribution. But there appears to be no clear criteria for evaluating investment projects and local authorities may not have the capacity for recognising the feasibility of a project giving them space to make arbitrary decisions. An investment project which is considered feasible by the state may not in fact be realized.

Box Three

Clearing land in Ha Tay: the experience of the Kim Bai Company

In 2002, Kim Bai company which is located in Thanh Oai, Ha Tay, submitted a request to lease 6,442 sqm of pond land behind the company's head office. The Provincial People's Committee approved their application in 2004, after 2 years, and going through the process of consultation discussed above. The enterprise agreed to make compensation of VND 11,000 per/m² and support the People's Committee in building further infrastructure at VND 3,300,000 per sao.

In August 2004 local residents prevented the company from filling in the ponds. They were afraid the new factory to be built on the ponds would pollute their stream.

Despite a series of 10 negotiations with local residents and assurances that the factory would install an international standard waste water filter system, the dispute continues. There may be other concerns behind the residents' worries including concerns about the local authorities¹¹.

- **Contradictions between laws:** The land law allows land-use rights to be used as a capital contribution, however the Enterprise Law goes on to state that once a land asset is used to make a capital contribution to a company, its ownership must be legally transferred to the company. However, according to the land law, transferring of the land-using right means that the land holders shall give up their land-use rights. This discourages people from using land-use rights as capital contributions.

¹¹ From observations of our own, the reasons for troubles in Ha Tay may also include: i) the residents having lost their belief in local authorities with suspicions of embezzlement by the authorities; ii) the residents worry about the environment pollution when enterprises implement projects; and iii) a tendency in Ha Tay for residents to claim for more compensation by obstructing the process of land clearance.

7. Construction of a factory or plant

7.1 Procedure for licensing the construction of premises

A number of procedures must be undertaken by businesses in order to build on the land assigned to them including i) formulation of a construction investment project ii) the design and financial estimation of the construction, iii) application for construction permits, and iv) construction.

7.1.1. Developing a construction investment project

Small-scale premises do not have to develop a construction investment project, though they do have to make economic and technical reports on the construction. Similarly, other areas of activity do not have to submit construction investment reports, but simply technical reports¹². Large-scale projects must submit construction investment projects for authorization.

There are 3 levels of construction investment project, A, B & C. Type A investment projects are approved by the Prime Minister with assistance from the appropriate Ministry. Though there is no statutory time limit, a decision is generally given with 42 working days. Once Prime Ministerial approval is given then the project follows the same approval path as type B & C. This further evaluation step by appropriate Ministries or Departments takes 30 days for type A projects, 15 days for type B and 10 days for type C. All proposals should also contain a land clearance and compensation plan.

7.1.2. Design of construction

Depending on the size and nature of the premises, construction design may involve one, two or three steps as follows. Step one design requires only economic and technical construction reports. Step two design requires a basic design and architectural plans. Step three, or large scale projects, require detailed technical designs and architectural plans.

Once the design is examined and approved by the authorities, subsequent design must be consistent with those submitted and no major changes can be made. Only licensed architects under the Construction Law are able to make construction designs.

7.1.3. The construction permit

A construction permit, granted by the Provincial or District People's Committee, must also be approved before commencement of construction. This should be granted within 20 days of the receipt of a completed application and does not include any amendments requested by the authorities. Once the permit is received, the enterprise should notify the People's Committee 7 days before construction begins.

¹² This includes works for religious purposes; renovation, repair, upgrade of existing office buildings or building new ones, each having total investment of less than VND 3 billion; and social infrastructure projects using state capital and each having total investment of less than VND 7 billion, not for business purposes.

7.1.4. Carrying out construction

Construction can only begin once i) Land for construction is cleared; ii) Construction permits are obtained; iii) Construction drawing designs are approved; iv) Construction contracts are concluded; v) Capital resources are sufficient for construction of premises; vi) Measures for protecting environment and ensuring safety are installed; vii) For new urban zones, construction begins after infrastructure has been built, depending on the scale or nature of the urban zones.

7.1.5. Supervision of construction

Supervision is required of all construction and can be carried out only by those professionals licensed and approved to supervise construction.

7.2. Construction reality

The process of licensing and receiving approval for construction of premises is complicated, time-consuming and costly. The survey found it takes approximately 30 days to obtain the construction permit, with the administrative procedures required often taking longer than the actual construction.

The Construction Law appears only to advise and direct the construction of state budget funded construction. Many of the procedures may not be applicable for private enterprise construction and could therefore be eliminated.

8. Business licenses, professional certification and business conditions

The current licensing and professional certification requirements for businesses act as a further barrier. Though a number of licensing requirements have been removed in recent years, around 159, there remains a substantial number. The Vietnam Chamber of Commerce and Industry (VCCI), in February 2005, estimated over 300 licensing requirements remain. A low estimate as licenses and professional certification are called for across a range of legislature that affects business establishment and development. It would also appear that as license requirements are removed, they reappear in other forms as other requirements.

Table 10: Licenses and professional certificates

• 41 licenses and certificates in culture and information;	• 11 in justice;
• 37 in agriculture and rural development;	• 10 in commerce;
• 34 in banking;	• 8 in security;
• 24 in finance;	• 5 in labor and social affairs;
• 23 in transportation;	• 5 in industry;
• 20 in post and communications;	• 4 in air-transportation;
• 19 in fisheries;	• 3 in tourism;
• 17 in policing;	• 3 in customs;
• 15 in natural resource and the environment;	• 3 in construction;
• 15 in science and technology;	• 2 in defense;
• 15 in medicine.	• 1 in education.

Source: Review of Legal Documents on the Establishment and Function of Enterprises, PMRC, UNDP and VCCI (Feb. 2005)

8.1 Diversity of licensing authorities

There are numerous forms of business license, both standard and administrative, including professional certificates, certificates of standardization, certificates of registration, licenses, and cards. While the Enterprise Law states that only the National Assembly, Standing Committee of the National Assembly and the Government have jurisdiction to set forth licenses, in fact several state bodies such as Ministries and the Provincial People's Committees establish licenses. While many of the licenses set out by these lower levels are not legal, they are often adopted and legalized.

Understandably these licensing requirements cost businesses time and money, especially when licenses are only available from Ministries in Hanoi or Ho Chi Minh.

8.2 Ambiguity of licensing procedures

The current system of licensing and certification is ambiguous, arbitrary, unrealistic and creates barriers to market entry. It opens the door for greater corruption by state bodies dealing with licensing and causes enterprises to waste time and money in accessing licenses.

- **Ambiguity in licenses:** Many licensing authorities set out extremely ambiguous requirements and demands before issuing licenses that are difficult for state bodies and companies to measure and ensure. Requirements such as "socio-economic efficiency", "network-use efficiency" or "high demand", etc. are so ambiguous that the criteria for evaluating them depend entirely on the will of the licensing authority.

- **Unrealistic professional qualifications:** Some ministries and departments call for professional certification and university degrees that may not be available in Vietnam and that access to is guarded or examinations uncommon¹³.

Box Four

Applying for rare certificates

A certificate of intellectual representative (covering intellectual property rights) is granted by the National Office of Industrial Property of Vietnam (belonging to the Ministry of Science and Technology). In order to obtain the certificate, in addition to having a university degree in the field of law or techniques, applicants must graduate from a full-time intellectual property rights training course, which can not be found in Vietnam, or they must have 5 years experience in intellectual property rights services. Applicants must also pass an examination organized by the National Office of Industrial Property of Vietnam, which is rarely organized.

Finally, it appears only 52 people possess the certificate of intellectual representative in Vietnam with most working in the National Office of Industrial Property of Vietnam.

13 VCCI-Asian Foundation, 114:2004: Enterprises and Improvement of the Business Environment.

■ **Several layers in accessing licenses:** A number of licenses require enterprises to complete dozens of administrative sub-procedures, taking sometimes years to complete. To receive a license for industrial explosives in some mining sectors takes 60 days and requires 8 seals and signatures¹⁴. There is no application fee for the license but the actual expenses for obtaining the license is not small.

■ **License extensions:** License validity varies from several months to several years. License extension in many cases is a simple procedure. In other cases the procedure is as complicated as applying for the initial license.

Box Five

Professional certificate of health examination and treatment ¹⁵

Despite having practiced medicine for a number of years, in order for a doctor to carry out a private business in health, he is required to have a Professional Health Certificate.

This is granted if an applicant has i) relevant degrees, ii) has related working experience iii) good occupational virtues iv) a certificate of health examination. The certificate is valid for 5 years and can be extended.

The applicants will be granted this certificate if they pass an examination organized by the Ministry of Health. Before the exam they have to participate in a three-month training course organized by the Department of Health Treatment (Ministry of Health) in Hanoi. The training course provides information on health laws, rules of conducts and hospital regulations. According to a number of doctors, the exam and training course are basic, but costly.

8.3 Capacity in license granting and supervision

The licensing process can be delayed by inaccurate interpretation of the licensing conditions given by the licensing authority, causing delays and further costs for businesses. In a number of license cases, the reasons for a license are not monitored after the license has been granted. This is due to unrealistic licensing procedures in the first place and the lack of supervision mechanisms.

¹⁴ The application must be certified by the police, fire brigade, Provincial Departments of Industry and Natural Resource & Environment (4 seals). Relevant departments then inspect the site where stones are exploited and then, organize a meeting to make a decision (4 seals).

¹⁵ Records from a meeting with a private hospital in An Giang

Box Six

Taxi licenses

One of the requirements for a taxi license is that the company logo must be painted on their cars and logo stickers can not be used. The licensing authorities reason that stickers can be easily removed or changed. Failure to paint the logo will result in the suspension of the taxi license. This causes companies a substantial expense.

8.4 Licensing problems

As we have seen above, the current licensing system means companies must spend substantial time and money to obtain licenses. While official fees are small, the extra cost for obtaining licenses is often high, but companies often do not wish to disclose these extra expenses. Equally, due to unclear and ambiguous licensing conditions, the licensing authorities have a wide discretion in making licensing decisions. This creates a high risk and costly business environment with more room for corruption.



Part 2

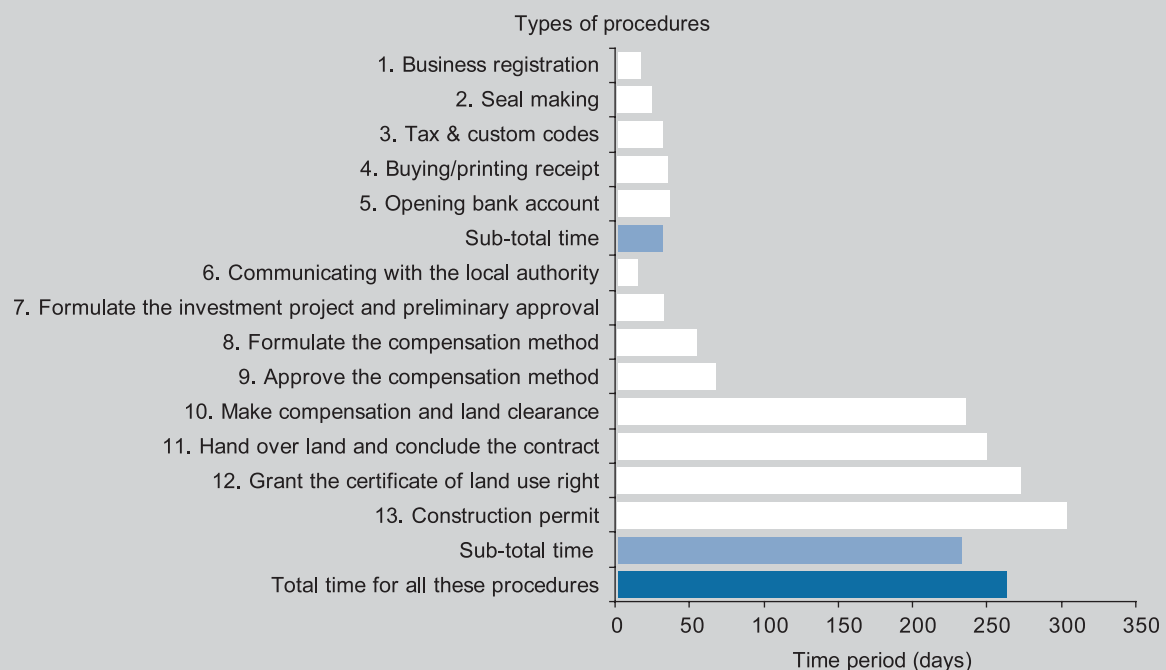
Findings and Recommendations

1. Findings

1.1 Numerous, troublesome, time-consuming and costly administrative procedures

The various forms of companies (limited liability, sole ownership, shareholding etc.) appear to be dealt with differently and suffer separate delays in establishing their businesses. Our survey shows that shareholding companies spent more time in administrative procedures and pay more extra expenses. At the same time, enterprises in the production sector suffer the most from the complicated administrative procedures.

Figure 11: Time period for fulfilling all procedures necessary to start a business legally (days)



**Note: Often, only processing and manufacturing enterprises have to go through the whole 13 procedures.*

If we look at the procedures in Vietnam, the reasons for delays are apparent:

- **Step-by-Step processes:** Administrative procedures can only be undertaken one after another. As a result, a delay or difficulty in performing one procedure results in a delay for the whole process.
- **Actual time spent on administrative steps:** Even where procedures occur within statutory time frames it is apparent that this is only measured from the day of submission of legally correct or acceptable forms. The time spent getting to the point of submission or acceptance is often substantial.
- **Unnecessary, overlapping and irrational procedures:** The process for applying for business registration, seal-making and a tax code is a perfect example of this irrationality, with the procedures and information required being, in principle, identical.

1.2 No uniform or comprehensive understanding of the "one-stop mechanism"

The principles of the one-stop mechanism are understood differently and have different levels of effectiveness across provinces in successfully reducing the administration and time taken on the business establishment process. While many provinces have effectively introduced this system to the benefit of businesses, a number of provinces have not. In these provinces the one-stop mechanism acts as an additional layer of bureaucracy further slowing the registration process.

1.3 Unforeseen administrative procedures

Businesses often do not foresee the number of administrative procedures. Businesses spend substantial time and effort fulfilling unexpected sub-procedures and preparing unnecessary documents. Each step is reliant upon another administrative procedure and requires documents related to these procedures, resulting in administrative procedures breeding other administrative procedures.

These unforeseen procedures may discourage investors or force them to pay extra costs, producing more opportunities for corruption. These complicated procedures act as a market barrier and further encourage people to operate informally. Indeed, as we have seen with the Enterprise Law of 1999, further simplification of administrative procedures may encourage households and informal businesses to register.

The implementation of sub-laws and regulations, prohibiting or suspending some business activities, distort and fragment the business environment further, thus creating further unfair competition, monopoly and unnecessary expenses in doing business.

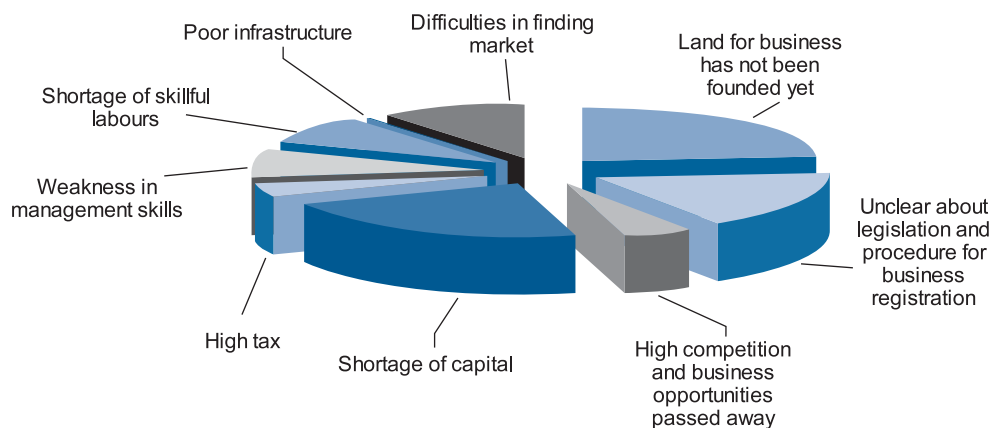
1.4 Coordination between state authorities

The lack of coordination between state authorities is proving time consuming and costly for businesses and highlights inefficiency in the state apparatus. Enterprises often submit both duplicate documentation to a range of state authorities but are also called on to submit any information the authority requires, even information that is readily available from other state authorities. The lack of coordination between state agencies makes it easier for state bodies to ask businesses for information, adding extra costs and time to the process.

1.5 Complicated and frequently changing legal regulations

Our survey found that the unclear and highly complicated legal procedures for business registration are one of the biggest frustrations and hindrances in getting a business idea into operation. There remain too many legal regulations in relation to business registration and doing business, that no one, including relevant state authorities, can truly know and understand all.

Figure 12: Difficulties in realizing business ideas



The existing mechanism of issuing licenses allows for substantial discretion by state authorities. Protection of consumers, ensuring national security or collecting information for economic development are used as reasons for the need for licenses, though there is little evidence that this is being actively achieved through licensing.

1.6 Poor relationship between enterprises and state authorities

The general, mutual mistrust between enterprises and state authorities and the resulting poor relationship causes substantial problems in establishing businesses. Businesses spend substantial time and resources on following and navigating administrative procedures and are substantially distracted from implementing and succeeding in their business idea. State authorities tend to view enterprises as potential wrong doers and interpret regulations as a means of punishing businesses rather than assisting them through regulation.

It is apparent through this and other surveys (VCCI-VNCCI, 2005), that some provinces are not yet business friendly and fail to smooth the way for business. Instead they create further barriers.

2. Recommendations

Two reasons explain the above findings and the problems businesses face. Firstly, weaknesses and shortcomings in the legal regulations. Secondly, weak capacity in state institutions, including poor equipment, low capacity and attitudes of state officials.

2.1 Improving current regulations

2.1.1. Review and publicise the list of conditional businesses

The Government should collect, review and publicise explicitly a nation-wide accessible list of:

- activities that are prohibited from doing business;
- activities that need professional certificates of practice as well as the conditions and procedures thereof;
- activities that need professional certificates of practice as well as the conditions and

This list must be reviewed regularly or at the request of individuals or organizations if shortcomings are found.

2.1.2. Reform business registration, seal, tax code and receipt buying procedures

The processes of business registration, obtaining tax/custom codes and making a seal should be consolidated with the business registration series, tax and custom codes being the same. The procedure for printing receipts by companies should be simplified. The procedure for buying receipt should be repealed. We recommend:

- When an application is submitted to the business registry, a copy is forwarded to the police and tax authorities for their consideration. If the certificate of business registration is issued, copies should be sent to the police and tax authorities by the business registry.
- Enterprises can show the original certificate of business registration to the tax authorities in order to register for a tax code and receipt-tracking book. Enterprises can then buy receipts. If enterprises want to print their own receipts, they are responsible to register the receipt design with the tax authorities.
- Enterprises can make a seal during the process of business registration and it should be brought to the police for registration before use.

If this consolidated process is implemented, the time period for setting up an enterprise will be considerably shortened and a number of benefits will be accrued.

- The coordination between the state authorities will be tightened and less fragmented.
- Cooperation between the business registry and the police prior to the granting of a certificate of business registration will help to avoid allowing people who are forbidden from setting up businesses.
- Enterprises can concentrate on their business activities due to the simplified procedures.

This consolidated process could be implemented by an inter ministerial-circular of the Ministry of Planning and Investment, Finance and Police on providing guidelines on procedures for business registration, granting tax & custom codes and making seals. In the long term, this consolidated process should be stipulated by law.

Finally, the one-stop mechanism should be critically reviewed so that the mechanism can be used efficiently rather than mechanically.

2.1.3. Simplify procedures for the granting or leasing of land and construction

The criteria for granting or leasing land and licensing construction of premises should be replaced by a system that includes:

- Requirements for constructions: These requirements should be publicized, including all health and safety norms such as hygiene, noise, environment protection, property indemnity, and cultural heritage protection such as ancient, cultural and architecture constructions as well as security protection.
- In principle, as for the state-owned land plots, tendering mechanisms should be used.

2.1.4. Define a uniform approach and strategy to licenses.

It is necessary to conduct a comprehensive and critical review of all existing licenses and business conditions in order to define a clear approach and strategy to business licenses. A review of licensing requirements should consider the following.

- Licenses should apply to a business activity only if the desired results can only be produced by means of a license. However, it is important to define the objectives and to justify the necessity of a regulation on a business license. Any regulation, in whatever form it takes, which requires enterprises to apply for business licenses must go through a standardized and strictly-monitored process before they are released. Any draft regulation on business licensing should be supported by a clear justification of the necessity and by an assessment of potential impacts on different players of such a proposed business license¹⁶.
- End such functions as information provision and control of business partners, imposed on businesses through licensing.
- Designate by law a single institution responsible for licensing.
- Prohibit state institutions from imposing additional licensing requirements and to define explicitly licensing requirements as indicated in laws, such as the Enterprise Law.
- Establish, by law rather than by supporting legislation, the main rules of licensing as well as the criteria for refusing to issue or for revoking (suspending) a license and to define explicitly to avoid arbitrary interpretation.
- The granting of a license should require compliance with requirements that are logical and attainable prior to the commencement of a licensed activity.
- Licenses should not need renewal rather they should be valid until revoked.
- Adhere to the principle that any activity that is not forbidden is permitted and define forbidden rather than legitimate activities.

The government and state administrative body should not hold the monopoly in granting business licenses. Rather, they should delegate the authority to professional organizations, associations, universities and research centers. Business licenses granted by these institutions should be recognised by state authorities and should be considered legally valid. This will produce a more flexible approach to licensing and ex-post supervision tasks can be passed on to these bodies.

2.1.5. A uniform approach to State, Ministerial and Provincial government plans

Planning that is temporary, easy to change, inconsistent with other State, Ministerial or Provincial government plans or that allows market entry barriers, should be avoided. Provincial People's Committees should publicise all plans on business land to enterprises as well as rights and duties thereof so that enterprises can choose the suitable land for their use.

2.2 Enhancing the management quality of the state authority

2.2.1. Improving the business registry system

An independent and modern system of business registration, which is well equipped in terms of material and human resources should be a priority. As part of this a business information database should be established that is accessible to all. Through this modern system of business registration, enterprises can register or make changes to their business details. This system should aim at i) registering businesses, ii) helping enterprises to follow the law, iii) provide business information, and (iv) store registered enterprise names.

¹⁶ Some innovative tools, e.g. regulatory impact assessment (RIA), could be used and required for any draft regulations on business licenses. For more information about RIA and its use in Vietnam, please visit www.sme-gtz.org.vn and www.sme.com.vn

2.2.2. Improved coordination between the state authorities

At present coordination between state authorities is poor and fragmented. Coordination needs to be enhanced.

- Legislation must be clear and transparent, explicitly establishing state authority responsibility.
- The state administration system must be modernized and furnished with an internet and intranet network.
- Responsibility of state authorities in providing relevant information on request must be explicitly specified.
- The one-stop mechanism should be applied flexibly.

2.2.3. Establishing a partnership between citizens and the state

In order to improve the relationship between business and the state and establish a truly "friendly administration" several steps need to be implemented.

- There must be an appropriate remuneration mechanism by which income given to state officials must be sufficient to satisfy their living needs.
- Laws must be implemented in an objective, fair and non-discriminative manner.
- Confidence in state authorities needs to be enhanced. State authorities must change their way of thinking by trusting the business community. Their functions should focus on how to help enterprises to follow the laws rather than hindering them.

2.2.4. Further research

The establishment and operation of enterprises is also undermined by further legal regulations, such as, labor hiring, registration of property ownership, contract enforcement, borrowing, dispute settlement, taxation; and market access. Therefore, it is recommended that there should be further research in these areas.

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Annex

Administrative procedures and requirements.

Stage One: Business registration

Submitted forms include:

1. Application form for business registration;
2. Articles of the company;
3. Detailed list of the company's members, shareholders or partners;
4. Certification of the minimum capital or certificate of professional practice as required by law.

Registration is approved as long as the following criteria is met:

1. The company founders are not persons prohibited from establishing a company.
2. The proposed business activities are not prohibited;
3. The company name is consistent with the law;
4. The application is lawful;
5. The registration fee is fully paid.

Branch office registration:

1. Notice of opening a branch or representative office ;
2. Notarized copy of the certificate of business registration
3. Copy of Articles (for companies)
4. Decision in writing (meeting minutes included) by the meeting of members, board of directors or partners;
5. Copy of the certificate of professional practice (for selected business activities)

Stage Two: Seal making

Submitted forms and information include:

1. Reference letter from the Department of Business Registration;
2. Certificate of business registration or certificate of branch or representative office registration. Original certificates must be presented and copies of them should also be submitted.
3. Applicants must be given a letter of authorization and carry with them their ID card or passport.

Stage Three: Tax code

Applications for tax codes:

For companies:

1. Application form;
2. Tax registration form and attachment (if any);
3. Certificate of business registration (notarized);
4. Establishment Decision (copy, if any)

For Sole Proprietors and households:

1. Application form;
2. Tax registration form and a detailed list of shops opened in other districts or provinces (if any);
3. Certificate of business registration (notarized copy).

Applications for Customs Codes:

The application for a customs code should include:

1. Request for custom code;
2. Application form for changes in tax registration;
3. Certificate of business registration in which import-export activities are added.

Stage Four: Opening a bank account

Application for a bank account:

1. Application form for account opening;
2. Documentary evidence proving that enterprise is legally established;
3. Documentary evidence proving lawful status of account holder.

Stage Five: Purchasing official receipts

Company application for official receipts:

1. Application form;
2. Introduction letter for the representative, giving his name, position and ID number.
3. Certificate of tax registration (certified by the company).

Household application for official receipts

1. Application form;
2. A copy of the certificate of tax registration. Original copy of the certificate of tax registration may be needed in order to examine authenticity of the copy.
3. Authorization letter is needed in cases where the householder himself can not go to the tax authority to buy the receipts. The authorization letter must state name, address, ID number of the authorized person.

Further receipt books:

1. Companies: introduction letter .
2. Households: application form which must state explicitly name, identified card number, business address of the householder as well as total number of receipts proposed to buy. An authorization letter is necessary if a householder can not go in person..
3. Receipt-tracking book.

Application to print your own receipts:

1. Request for printing the receipt;
2. The design of the receipt
3. Places of business and head office must be mapped out in detail and any rental agreements shown.
4. Certificate of business registration. (un-notarized)
5. Valid identity card (of the director of the company or householder, un-notarized).
6. Certificate of tax registration (original and copy).

Stage Six: Applying for Land use rights

1. Request for granting land;
2. Proposed investment project;
3. Notarized copy of the investment license (if they are overseas Vietnamese and foreign individual or organization).
4. Two copies of the application should be submit to the provincial land authority where the land is located.

Changing land use rights

Application for changing the land-use purpose is filled with the district land authority where the land is located.

1. Request to change the land-use purpose;
2. Certificate of land-use rights;
3. Proposed investment project.

Using land use rights as a capital contribution

1. Contract contributing land as a capital contribution. This contract must be notarized by the public notary or District People's Committee where the land is located.
2. Certificate of land-use rights.

Stage seven: Construction

Formulation of construction investment project

Dossiers of construction investment projects shall each consist of:

1. Report on the project applied for approval, made according to a set form;
2. Written explanation and the basic design (9 sets)
3. The competent authorities' written permission of the investment, for important national projects or group-A projects.

Application for construction permits shall include:

1. Application form for a construction permit;
2. The design drawing of works;
3. Notarized copy of one of the land-using right as prescribed by the land laws.

Business Issues

Background on Business Issues in Vietnam

Business Issues is published by the SME Development Programme of the Vietnam-German Development Cooperation.

The aim of the SME Development Programme is to improve the business and investment climate to make it more conducive to private sector development and to enhance the market position of private small and medium enterprises, specifically in provinces outside the major growth centres. The programme addresses four major areas of intervention (components), including: (i) SME Policy/Business Investment Climate; (ii) Local Economic Development; (iii) Competitiveness of Selected Sub-sectors; and (iv) Material Testing and Advanced Technical Services. The Programme is jointly implemented by German Technical Cooperation (GTZ), the Agency for SME Development of the Ministry of Planning and Investment (MPI-ASMED), and a broad network of partners from the public and private sector at the national and local levels.

Business Issues address key issues that are of relevance to the business and investment climate for private SMEs. They are prepared in partnership with the GTZ SME Development Programme and its partner organizations, and also often in cooperation with other donors and agencies. The following papers have been published to date:

- **Business Issues 1:** Improving the Quality of Business Laws: A Quicksan of Vietnam's Capacities & Introduction of International Best Practices; Hanoi 2005. GTZ/PMRC/UNDP (in English and Vietnamese).
- **Business Issues 2:** Regulatory Impact Assessment of Unified Enterprise Law & Common Investment Law: With Focus on the Replacement of the Existing Licensing Mechanism with a Registration System Applicable to Foreign Investors; Hanoi, 2005. GTZ/PMRC/UNDP (in Vietnamese).
- **Business Issues 3:** From Business Idea to Reality: Still a Long and Costly Journey; Hanoi, 2005. GTZ/CIEM (in English and Vietnamese).

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