

'Cutting 50% of existing APs needed'

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(VEF.VN) – The Government should cut down 50% of the existing regulations and re-consider its role: Control or build development? Economists and policy making experts talks about these topics online with VEF.VN

Vietnamese economy is facing with challenges to maintain its high growth rate, including high inflation rate, increasing trade and fiscal deficits, and declining productivity and efficiency, especially in public investment. These have caused delay in the structural transformation and lowered Vietnam's competitiveness. According to the 2011 Global Competitiveness Index of the World Economic Forum, Vietnam's ranking slipped down 6 places from 59 to 65.

Vietnam has implemented economic reforms by adopting liberalization, structure transformation (privatization of selected state owned enterprises) and global economic integration with various trade agreements entered into. Economic achievements have been gained as a result.

However, the impacts of such reform measures have been diminished significantly due to risks and inflexibility of the regulatory system. The Socio-Economic Development Strategy for the 2011-2020 period approved by the 11th National Congress of the Communist Party of Vietnam also acknowledges the low quality of policies and regulations and ineffective implementation.

In fact, many anti-growth policies are still in use and continue to be produced in many industries and sectors, such as costly and ineffective administrative control measures. The economy still has to bear the burdens caused by market integration barriers, and rigid regulations and administrative procedures.

Vietnam needs a new wave of reform to further liberate productive forces overruled by inappropriate policies and regulations and to improve productivity, efficiency by allowing the market to function better, reallocating resources more quickly and hastening the structural transformation process.

The government needs to establish more free and equitable market mechanism and rules, and intervenes in the market only when really necessary to protect social and community interests such as environment protection, consumer safety or protection.

The recent public arguments among relevant authorities on the management of petrol price have raised an important question about the role of and the relationship between the State and the market. In such case, state agencies should decide whether the Government should take control of petrol price or not, and if yes, for what purposes of management, and what measures should be used to maximize benefits to the country.

The Vietnam Economic Forum and VietNamNet has organized an online roundtable discussion titled " Improving Quality of Economic Policies in Vietnam" with three guest speakers: Dr. Nguyễn Đình Cung - Vice President of the Central Institute for Economic Management (CIEM); Mr. Scott H. Jacobs, Managing Director of Jacobs&Associates and consultant of the United States Agency for International Development's Vietnam Competitiveness Initiative (USAID/VNCI); and Mr. Nick Malyshev – Head of Regulatory Policy Division in Directorate of Public Governance and Territorial Development, Organization for Economic Cooperation and Development (OECD).

Mr. Nick Malyshev is an expert in policy improvement and development of OECD, which was invited by the Government of Vietnam to review the Master Plan for Administrative Procedures Simplification in various areas of state management.

With intensive knowledge of Vietnam, Scott H. Jacobs has made considerable contributions by sharing and applying international experience in regulatory quality improvement to the actual implementation of the Master Plan for Administrative Procedure Simplification (Project 30).

50% of administrative procedures have to be cut

Journalist Lan Hương: First question for the international experts: Cumbersome APs have been always considered an obstacle hindering Vietnam's socioeconomic development. How do you assess the results of Project 30 in recent years??

Scott Jacobs: Project 30 is one of the biggest reforms and one of its priorities is the reviews of business-related regulations. It is the largest reform projects in the world in the last 10 years.

The Project has brought value to the government through reviewing APs and regulations that are not good, and introduced a new management approach to reform implementation and helped the government gain experience to implement broader reforms.



Scott Jacobs: Project 30 is one of the biggest reforms and one of its priorities is the reviews of business-related regulations. Photo: LAD

The project, once fully implemented, will save about USD1.5 billion for citizens and businesses. This is real monies that will be perceived as savings and help increase wages or income, producing real benefits for citizens and businesses.

Under Project 30, 300 simplification proposals within the Congress deciding authority haven't been implemented. Unnecessary and insubstantive regulations will only incur cost and waste time.

For example, requirements of mandatory notarization have been eliminated in many EU countries. Notary procedures were reduced and many APs were reviewed to eliminate.

In fact, Project 30 is not a one-size-fits-all project. There are higher level issues hampering economic development. For instance, a firm that wants to build a parking lot, facility or establish business will have plenty complaints during implementation of relevant procedures.

Therefore, there is lots of work to be done, and serious implementation of reform will boost a more free economy. This requires institutional capacity and leadership vision.

Nick Malyshev: I think Project 30 did a good job in reducing administrative burdens for citizens and businesses. But it is not enough, because administrative burdens involve regulations and the “text” burdens, that is, to comply with those regulations.

In many cases, compliance cost far outweighs administrative cost. In particular, those regulation costs may create secondary impacts, distorting the market, changing prices in other markets, distract resources distribution for different economic activities.

In short, Vietnam should make further steps building on the AP simplification reform to address regulatory burdens.

Journalist: Mr. Cung, how do you think about the results of Project 30? What benefits do you think businesses and citizens have gained from these results?

Nguyễn Đình Cung: In the last 3 years, we talked quite a lot about the successes of Project 30. But these successes should be measured based on the perception of businesses and citizens.

In 2010, our PCI survey in coordination with VNCI showed that the actual cost businesses paid on administrative procedures were not less than those in previous years, but even on an increasing trend, especially informal costs. This means our reforms so far have not actually translated into full results for citizens and businesses. Our reports say we will save 1.5 billion US dollars when APs are simplified. In fact, this has not been perceived by citizens and businesses.

In my opinion, to make a ground-breaking achievement in AP reform in particular and reduction of regulatory cost in general, change of mindset is a must. Here we talk about

cutting, but 10% cut off is almost nothing. It is common in other reforms that 50% of APs are cut off.



Nguyễn Đình Cung: If we get ourselves indulged in control, then we simply just change and cut here and there, not to build a new regulatory system. Photo: LAD

I am talking about the situation of policy formation and implementation. It should be free from control mechanism, and should be promoted. If we get ourselves indulged in control, then we simply just change and cut here and there, not to build a new regulatory system.

I think the second reform should get out of control, regulation and should be service-oriented. Only then Project 30 can be upgraded and results will be better.

Get out of control mindset

Journalist: Mr. Cung's answer leads the topic we're going to discuss just now - reduction of APs has achieved particular results. But it is not a powerful enough dose to improve the dynamism of the economy. In practice, many policies are issued on an ad hoc basis following a process easier than that for legal normative documents. Many experts when discussing the petrol prices in recent debates, said that monopoly must be broken to ensure petrol prices will be regulated by market price. What do you have to say for similar stories in Vietnam?

Nguyễn Đình Cung: As I already said, the regulatory system should get out, should base on a new mindset, new philosophy, not control and regulation-oriented as is now. Project 30 should be implemented strictly and upgraded.

About the petrol and market regulation story, we always think about market control, not only petrol but also milk, food, etc. all we think about is control.

The government's job is not to control, regulate petrol market but to connect the domestic petrol market to the global market. The world markets are very competitive, actually.

If the markets are connected, change in world market prices will demonstrate in domestic market. The government should build petrol reserves that allow the government to intervene when high fluctuations happens to the world prices rather than to control as it is doing now.

Journalist: What do our international experts have to say about Mr. Cung's comments? I mean, the comment about get out of the old mindset – manage the market.

Nick Malyshev: I think Mr. Cung gave a good example about the connection between the domestic petrol market and the world market. Vietnam's import and export tariffs have dropped down to a relative low level, so the difference between domestic and international prices are not due to beyond borders reasons but due to domestic barriers within Vietnam.



Nick Malyshev: *A broader reform is needed. Photo: LAD*

That's why I believe the domestic retail sales indices in similar sectors will be good indicators for policy makers to see where regulations are not working well for the retail market and then come up with appropriate reform solutions.

But from another perspective, we need to consider the politics of the issue. We have interest groups here and they are benefiting from the big differences in prices.

I think in order to solve this issue, there should be communications campaigns to promote transparency of information related to the market and fight market distortions when market

does not function well. This will be an effective solution to this issue, and an information channel for consumers, keeping them informed of what causes market distortions.

Scott Jacobs: Dr. Cung made 2 comments that I fully support. The first is that the Government should consider cutting 50% of existing regulations. When the question comes to reconsideration of the government's role: government controls or government builds development, we need to think broader.

There are regulations that are outdated and no more relevant to the present economic setting. For example, price management. Vietnam has a dedicated prices management agency that have long become obsolete in developed countries. If any products are put under control, the economy will be adversely affected.

Or the case that every activity is required of a license or permit will create obstacles and slow down business, affect employment and opportunities. Why people with new ideas cannot have a fast-track through all those procedures?

Instead, regulations that provide general guidance for business to start up in no time are necessary. In Canada, a person can start his business just two hours after his notice to the authorities. Therefore, we should have in place regulations that require reasonable conditions to facilitate economic development.

After all, that's why a larger scale reform process is needed.