

MIDTERM VIETNAM BUSINESS FORUM

Hanoi, June 9, 2015

OPENING REMARKS

Vietnamese Government – H.E. Mr. Bui Quang Vinh, Minister of Planning and Investment

While Vietnam has achieved positive socio-economic results by early 2015, it still faces difficulties such as the economy's weak competitiveness in the context of deeper international integration. Therefore, the Government is focused on breakthroughs in economic restructuring to transform the growth model, encourage investment in the form of public-private partnerships (PPP) and into supporting industries, reform public investment as well as the financial system and banks to insure efficiency and recover bad debts. It is also working to accelerate the equitization of State-owned enterprises (SOE) and drastically reduce Government-held capital in equitized enterprises, improve business efficiency and achieve equality in market mechanisms and allocation of resources. Today's midterm VBF has the theme "Enhancing enterprise competitiveness for global integration" and will address six key areas: trade, tourism, investment, banking, capital markets and infrastructure. These areas are closely linked with innovation requirements for Vietnam to achieve on its path to deeper integration into the global and regional economies and create a favorable investment environment for businesses in 2015.

International Finance Cooperation – Mr. Kyle Kelhofer, Regional Manager

Vietnam's economy is standing at a critical juncture. The first wave of global integration in the 1990s spurred growth and the second such wave has coincided with the ASEAN economic community's emergence and important trade agreements such as Trans-Pacific Partnership (TPP) and EU-Vietnam Bilateral Trade Agreement to kick-start the next stage of growth. Such opportunities include development of innovative domestic private sector companies integrated into global supply chains with greater access to global technology, partnerships and funding to improve Vietnam's competitiveness. To achieve this, policies that encourage more innovation and risk-taking are needed to grow the next generation of competitive entrepreneurs. To achieve this, Vietnam should continue investment climate efforts through transparency and predictability. Equally important for business development and competitiveness, is the rule of law and enforceability. A key competitiveness determinant will be Vietnam's ability to efficiently channel scarce capital to more effective uses, while banking restructuring remains vital.

Finally, continued development of infrastructure to enable growth is critical, especially in power and energy. Energy efficiency and renewable energy can help address power demands in an environmentally safe way. Clear legal and regulatory frameworks, improved pricing policies and accessible commercial financing would be beneficial. Overall, a more competitive Vietnam will further improve people's lives and achieve competitive growth.

Vietnam Business Forum Consortium – Mrs. Virginia B. Foote, Co-Chairman

Significant progress has been made on issues important to the business community, especially Resolution 19. However, the implementation of some influential laws has raised concern. The country's goal to aspire to the standards and success of the ASEAN six and transition from factor-driven to efficiency-driven economies is commendable. To achieve this, productivity and strengthening enterprise competitiveness will be key. While trade agreements of potential are

in the pipeline, high standard laws and regulations as well as administrative reforms are needed to help companies take advantage of integration into global supply chains and attract supporting industries. VBF's partnership with the Vietnam Chamber of Commerce and Industry (VCCI) under Project 12 on how the business community can join the Government to reduce administrative inefficiencies and corruption is taking shape, while integrating Vietnam Integrity Alliance activities into VBF work on how enterprises can learn from international governance best practices is equally promising.

AmCham continues to encourage and support ways to reduce the use of cash, paper and face-to-face financial transactions for business-to-business and business-to-Government payments. It is also willing to help address troublesome restrictions on domestic and foreign internet companies that hinder connectivity and innovation beneficial to all enterprises. Meanwhile, bringing Vietnam's accounting system closer to global standards is encouraging. Finally, the new Investment Law could prove challenging as its 267 lines of conditional business is significantly more than regional competitors and approval processes are more complicated. The Government to encouraged to ensure the law does not impede firms.

SESSION 1 – BUSINESS INVESTMENT CLIMATE

Vietnam Chamber of Commerce and Industry – Dr. Vu Tien Loc, President

Acceleration of negotiations and endorsement of a series of free trade agreements (FTAs) as well as transforming the regulatory framework and administrative procedures under Resolution 19 embody two recent major Government reform efforts. A VCCI survey in April 2015 indicated that 46% of Vietnamese private firms and 50% of FDI enterprises planned to increase the scale in the near future. However, this contrasts with the domestic private sector's limited ability, resulting in a shortage of medium-sized firms to act as bridges to connect with global value chains or infiltrate international markets. The domestic private sector must drive the local economy's self-sufficiency and make effective connections between the FDI sector and domestic business community. To realize this, the Government must consider to:

- Develop a "National program for starting a business" to navigate a career path for younger generations, encourage supporting industries to help give Vietnam a competitive edge, simplify criteria to start and run a business and enhance education standards, especially skills training in universities and vocational schools.
- Enhance effective lending programs, other forms of financial incentives and developmental funds, especially those to support small and medium-sized enterprises (SMEs) and private investment.
- Strengthen information systems for technology and markets as well as promote SME trade and investment through business associations.
- Resolution 19 has paved the way for groundbreaking administrative procedure reforms. Unnecessary business and business licensing criteria among the 5,000 procedures and business-related criteria for 267 conditional lines of business specified in the new Investment Law should be screened for removal, while other criteria outside this list of 267 business lines should be annulled from July 1, 2015.
- Increase judiciary reform parallel to administrative reform to build trust among businesses.
- Better inform businesses about the opportunities and challenges from upcoming FTAs.

- Request FDI firms play a more active role in implementing support programs for domestic SMEs, especially in supporting industries, to help them become supply chain partners and suppliers.

American Chamber of Commerce – Ms. Sherry Boger, Chairman

Vietnam could be a large beneficiary of the TPP, which will help lay a foundation for regional integration and be an engine for a comprehensive U.S.-Vietnam partnership. Regarding enterprise competitiveness, integration into global supply chains with access to global sources of funding, technologies and global markets is vital. Action plans should include private sector cooperation to better inform Government and companies on SME development incentives and necessary requirements for joining global supply chains. On Government competitiveness, local and national Government agencies must improve competitiveness as service providers. There should be meaningful Government cooperation and consultation with businesses on a monthly and quarterly basis to assess progress. Further to this, the Vietnam Trade Facilitation Alliance will facilitate regular Government-business consultations. However through Government-business dialogues, AmCham members and prospective FDI investors have been frustrated by persistent delays and uncertainties regarding projects, policies and regulations. In the automotive sector, the lack of a clear road map has dampened investor confidence and risks manufacturers considering alternate plans within ASEAN. Banking policies are well intended, but delays are challenging. Additionally, banking system and State-owned enterprise reforms, non-performing loans and corruption remain perennial policy challenges.

European Chamber of Commerce – Mr. Tomaso Andreatta, Deputy Chairman

To achieve growth, prosperity and improve firms' competitiveness, there needs to be enhanced infrastructure investment, liberalization surrounding national trade and investment and a more flexible labor market. Infrastructure is another key issue, with logistics and energy prioritized. Vietnam needs an effective railway, roads and ports to enhance industrial production capacity. To achieve this, project financing must be bankable and authorities must facilitate projects by taking rapid and transparent decisions. Market liberalization, especially adjustment of electricity prices, is needed. To realize a greater level of environmental protection, cleaner sources of energy must be created through new technology and incentivizing renewable sources. A reduction in State monopolies will benefit this process, with privatization of electricity generation through the sale of assets and allowing local and international companies to build new power stations. Professional training and modernization of schools at all levels is also essential, especially in high technology and tourism. Overall, Vietnam can attract companies relocating from neighboring countries and skilled workers by maintaining flexibility and ensuring higher salaries match productivity increases. Facilitating foreign, qualified workers will allow for knowledge transfers and enhance the Vietnamese workforce's productivity.

Korean Chamber of Business – Mr. Ryu Hang Ha, Chairman

KorCham has four major issues to raise. The first relates to difficulties in the import of used machinery and equipment. Draft Circular 20 contains restrictive conditions on imported used equipment of concern to foreign-invested enterprises. In particular, clear criteria are needed to evaluate the usage period and remaining quality of equipment. Secondly, there is potential for a serious power crisis as early as 2018 due to delayed power projects, including nuclear ones. The Government is encouraged to expedite power projects undertaken by trusted and well-known companies. Thirdly, under current labor laws and regulations in Vietnam, an employer cannot immediately terminate a labor contract or dismiss an employee who falsifies qualifications, skills or experience. The termination process is cumbersome and a revision of

such regulations is needed. Finally, regarding changes in HS code applications, during the course of implementation of Circular 164, the following case may occur: the goods which is previously exempted from import duty may become the goods which is imposed the import duty. In some cases, the goods which used to be exempted from the import duty can be imposed retroactively. The Government of Vietnam should consider not imposing the import duty retroactively in respect of the goods which was imported before the Circular 164/2013/TT-BTC took effect.

Japanese Business Associations in Vietnam – Mr. Shimon Tokuyama, Chairman

The Japanese business community remains committed to further promoting economic and industrial development in Vietnam. To achieve these goals, fiscal discipline and infrastructure development must be balanced. While fiscal discipline is welcomed, sufficient finance must be channeled into quality infrastructure projects for further economic growth. To achieve this growth, further FDI is needed as well as enhanced manufacturing for domestic markets, especially automobile industry development. However, many manufacturers face unfavorable legislation. To enhance international competitiveness in manufacturing, restrictive legislation on overtime work must be addressed, a clear explanation on the revised decree on importing used machines and a framework on annual minimum wages with inputs from businesses are needed. Regarding visa exemptions for Japanese visitors, more flexible conditions are needed to enhance business and tourism activities.

Hanoi Young Business Association – Mr. Tran Anh Vuong, Standing Deputy Chairman

Regarding the Science and Technology Law 2013, a step-by-step procedure is needed to enhance its simplicity and the Government must invest sufficient and sustainable capital to support science and technology development. Businesses' investment in supporting industries should be encouraged, especially investment from private SMEs. A dedicated decree on supporting industries should be issued soon and could concentrate on development of craft villages and household businesses to become outstanding supporting industry units, while more SME-sized industrial clusters could be created through formalized incentives and venture capital from Government funding with preference to start-ups, especially joint venture companies. After a period of implementation, specific businesses could be merged into a network of promising supporting technology firms, while more robust Government investment funds must focus on small and micro companies to build their own factories. Regarding enhancement of enforcement and healthy competition for businesses, poor quality audits and inspections could lead to unqualified businesses slipping through. Meanwhile, the Government is recommended to issue specific policies in order for SMEs to meet requirements, such as those related to environment and fire controls.

Regarding education, the Education and Training Law 2012 gave autonomy to academic institutions. However, it has had little impact on public universities. Despite limited advancement in raising skills and competencies of graduate students, the quality of graduates is still not good enough. This low quality human resources will hamper Vietnam's productivity and blunt its labor-related competitive edge.

SESSION 2 – TRADE, TOURISM AND INVESTMENT - ISSUES OF IMPLEMENTATION OF NEW LAWS ON INVESTMENT, ENTERPRISES, IMMIGRATION, RESIDENTIAL HOUSING AND REAL ESTATE BUSINESS

1. Investment and Trade

Investment and Trade Working Group – Mr. Fred Burke, Co-Head

- The first area of concern is the failure to recognize and enforce Vietnamese or foreign arbitration awards. Feedback from stakeholders points to weaknesses in the courts to support arbitration. While the law and institutions have developed into reliable dispute resolution mechanisms, the courts lag behind. As a result, Vietnam's record in enforcing arbitration awards is poor compared to regional countries. Two reasons for this trend have emerged. The first is procedures used in arbitration not viewed as consistent with Vietnam's Civil Procedure Code. The second is courts in Vietnam are prone to quoting the fundamental principles of Vietnamese law as the basis for setting aside arbitration awards, despite the New York Convention. To address this situation, an appropriate body should comprehensively review the legal basis of awards set aside in the past few years to judge whether courts have applied the convention correctly. Greater transparency to enhance accountability of judgments and skills training are also needed.
- The second area of concern is increased non-tariff barriers, which contradict the Government's call to reduce red tape. For example the new Investment Law, contrary to business community inputs, has persevered the replacement of the old one-step licensing process with the new two-step one. Now a foreigner to invest in Vietnam must get investor and business registration certificates. Similarly, administrative reform concerns have emerged in the context of several new non-tariff barriers, as noted by business chambers today, such as the recent Circular requires imported equipment to be at least 80% or more of its initial design capacity and less than ten years old. Another two examples are two new draft circulars on food safety only introducing greater administrative burdens and cost on food imports and on cosmetics management requiring Notification Number printed on the packaging of the cosmetic products. However, the most egregious example of how administrative procedures are abused is in tax administration, as a World Bank survey of manufacturers and traders this year ranked Vietnam as the worst country in Asia-Pacific regarding tax administration. Meaningful deadlines, accountability standards and resources to help taxpayers file correct tax returns are needed. A tax website could highlight frequent mistakes discovered in the post-audit assessment process and provide help-lines for taxpayers.
- The last is the continuing difficulties in getting work permits for foreigners and we would like to see tangible progress of this issue.

Response by Ministry of Planning and Investment – H.E. Mr. Bui Quang Vinh, Minister

- Lists of banned and conditional lines of work for investment and business: The Government is committed to making investment more transparent and drafters of the new Investment Law aggregated all current regulations on banned and conditional business lines, and respective eligibility criteria from different legislation. From 51 banned business lines and 386 conditional business lines, the lists have been narrowed to six banned and 267 conditional business lines. Furthermore, the Investment Law requires annual reviews of such lists, with the Ministry of Planning and Investment (MPI) the lead agency. Moreover, relevant ministries will finalize respective eligibility criteria with updated information on national websites. The new Investment Law clearly specifies that conditional business lines will be provided in normative regulations at decree level and above. Article 4.2, Investment Law of 2014, specifies that if discrepancies exist between the Investment Law and other

sector-specific laws regarding banned or conditional business lines, the new Investment Law will apply.

- Investment and business registration certification into two different procedures: The Investment Law of 2014 intends to provide openness and opportunities for businesses. To achieve this, it requires foreign investors to first acquire an investment certificate within 15 days (previously 45 days), then the business registration certificate can be released within two days. Investors are not required to submit other documents aside from documents specified in the Enterprise Law.

Response by Ministry of Finance – H.E. Mr. Dinh Tien Dung, Minister

- In the spirit of Resolution 19, the Ministry of Finance (MoF) has initiated administrative procedure reforms to enhance national competitiveness in taxes and customs, including:
 - + As of January 2015, 370 hours for tax filing and payment have been shed from the previous total of 537 hours.
 - + Tax administration and customs agencies are encouraged to increase application of information technology in revenue and customs governance. More than 97% of businesses have used electronic filing and more than 140,000 firms switched to electronic tax payments.
 - + Future steps: (i) cutting hours spent paying taxes and clearing customs to ASEAN 4 level, (ii) review regulations and operating procedures to curtail/simplify at least 10% and 20% of tax-related administrative procedures, respectively, while modifying all operating procedures related to taxpayers; (iii) ensure businesses' usage of electronic tax payment modes to achieve 90% by end of 2015, (iv) work with the MPI and ministries to create a single identification number for transactions with all ministries/line agencies, (v) release a circular on risk management as recommended by the World Bank and (vi) accelerate initiation of a national single window for ministries/line agencies and a ASEAN single-window mechanism.
- Development of new food safety standards to avoid adverse impacts on food imports and exports: The MoF is developing a project to improve the effectiveness of specialized inspections and audits of import and export goods to clearly divide responsibilities of relevant ministries in sector-specific regulations to ensure smooth clearance of goods and support business operations.
- Pricing controls of milk products for under-6 children: Recent average sales prices for formula milk for under-6 children in Vietnam have been higher than some regional countries. Milk pricing controls in Article 18.4, Pricing Law and Article 6.4, Decree 177/2013/ND-CP provide implementing details and guide specific Pricing Law provisions. These are necessary to protect consumers, businesses and national interests.
- HS codes for import and export goods: According to Article 6.4, Circular 14/2015/TT-BTC, if a guiding document on goods classification affects the customs declaration process in terms of ID numbers, tariff rates and potential profit and loss-making for declarers or taxpayers, goods classification and applied tariff rates will apply as soon as the revised guidelines come into effect. Accordingly, any previous goods classifications and ID numbers with lower tariff rates subject to higher duty rates once the revised guidelines apply, will not be considered for retrospective law application.

Response by Ministry of Health - Mr. Nguyen Viet Tien, Vice Minister

- Conditional lines of work for investment and business in health: The Investment Law of 2014 states that any applicable eligibility criteria must be enacted through decrees for every respective conditional business line and made public on the national portal for business registration. The health sector, under the Investment Law of 2014, has 19 conditional business lines regulated through specialist laws under the specialist jurisdiction of the Ministry of Health (MoH). The Investment Law of 2014, however, requires such eligibility criteria be made specific in Government decrees and achieved within a one-year transitional period.
- Importation of used medical equipment: Based on the Trade Law, the MoH released Circular 24/2011/TT-BYT making clear that imports of used medical equipment are prohibited. Any acceptance of used medical equipment will only apply to non-refundable projects of offshore non-governmental organizations in accordance with Decree 93/2009/ND-CP, and apply to simply - structured equipment with Prime Minister's approval. The MoH, in collaboration with the Government Office, will submit to the Prime Minister a list of used medical equipment with more than 80% of remaining value, which can be imported without the Prime Minister's approval. The need for equipment quality meeting the 80% requirement subject to declaration by the donor, confirmation of source country or inspecting agency verification in the source country/Vietnam must also be highlighted.
- Draft food safety regulations for imported and exported food products: The Food Safety Law identifies trading in foods as a conditional line of work. Food safety governance should rely on codes and norms released by authorities and regionally-accepted standards. All rules should ensure the interests and health of consumers are protected, not contrary to international practices and do not interfere with legitimate trade activities.
- Publication of identifier numbers, barcodes and registration numbers on packaging of cosmetics and food products: ASEAN practices do not mandatorily require disclosure of identifier numbers, barcodes or registration numbers on packaging for cosmetics nor prohibit it. The draft aims to support management of product information/quality and information transparency.

Response by Ministry of Science and Technology – H.E. Mr. Nguyen Quan, Minister

- Permitting imports of used plant and equipment: Circular 20/2014/TT-BKHCHN is being modified with business community inputs. For FDI enterprises, if the investment project proposal provides information on production lines and equipment accepted by Vietnamese authorities and the project is approved, there is no need for quality or use period inspections for project technologies or equipment. For plant and equipment not listed in the investment project proposal or imported after the project, businesses could choose between two criteria, a use period of less than 10 years or over 70% remaining quality. Businesses are encourage to obtain a quality inspection certificate prior to importation. Once equipment is in operation, the quality inspection process will kick-in and the importer will bear costs if equipment fails to live up to declared standards. Meanwhile, other specific criteria may be imposed by authorities, such as in sectors requiring machines and equipment to have more than 70% remaining quality, for example, healthcare equipment or equipment which may generate impacts on environment.

Response by Ministry of Labor, Invalids and Social Affairs – H.E. Mrs. Pham Thi Hai Chuyen, Minister

- Overtime work: Article 106, Labor Code of 2012, clearly specifies that overtime work must not exceed 200 hours and 300 hours for some special cases. Questions and recommendations raised on overtime work, however, are duly noted for further consideration. The ministry has counseled the Government to provide guidance on selected industries and sectors where overtime work not exceeding 300 hours is allowed in line with Article 106, Labor Code.
- Decree 102/2013/ND-CP providing implementing details for specific Labor Code provisions related to guest workers operating in Vietnam is under review to provide opportunities for non-national employees in Vietnam, taking into account the following considerations:
 - + Narrowing work experience for non-national employees from five to three years
 - + Non-nationals staying and working in Vietnam for less than consecutive 30 days will not be required to obtain a work permit
 - + The procedure for certification of personnel not required to obtain a work permit will be waived in several instances, including non-nationals working in Vietnam for less than three months on complex technological incidents or situations, and non-nationals working for less than 30 days
 - + A maximum validity of six months for health certificates from issuance till submission for work permit applications
 - + Requiring a legal background certificate from Vietnam **or** the home country of the guest worker, which is a reduced burden from the previous ruling which requires legal background certificates from both sides.
 - + Simplifying work permit applications in specific cases such as for employees with valid work permits who seek another job without changes to employer, employees with expired work permits and non-nationals with a Master's degree or higher doing research and teaching work at educational institutions
 - + Lead-time for work permit release reduced from 10 to seven days
 - + Expanding applicability for individuals who may receive a work permits compared to Decree 102
 - + Additional attribution for the Ministry of Labor, Invalids and Social Affairs to issue work permits to adapt to changes.
- Minimum wage: Article 91, Labor Code, specifies that, based on minimum living needs of workers and families, socio-economic conditions and market pay levels, the Government will set regional minimum wages, following consultation with the National Pay Council. The current annual regional minimum wage should be adjusted as it fails to meet the minimum living needs of workers and families.
- KorCham's recommendation that an additional ruling on employment contract termination for employees found to be provide fraudulent information on competencies and work experience is supported. The Labor Code does not provide details on employment contract terminations in such cases.
- Public-private mix in upgrading human resources quality: The Government has a occupational education reform strategy. It allows importation of equipment, teaching

manuals and teachers for occupational education institutions, application of mixed public-private provision in vocational training facilities, foreign investors setting up joint ventures in vocational education as well as opening schools.

Response by People's Supreme Court – Mr. Dang Xuan Dao, Economics Court Chief Judge

- Recognition/non-recognition, execution of foreign arbitration awards in Vietnam and consideration of requests for annulment/non-annulment of domestic arbitration awards: The Commercial Arbitration Law of Vietnam authorizes the court to consider requests for annulment of arbitration awards. The Civil Litigation Code allows the court to consider execution of foreign arbitration awards in Vietnam. While considering requests for annulment/non-annulment of an arbitration award or allowing execution of a foreign arbitration award in Vietnam, some judges may fail to follow book rulings on civil litigation, Commercial Arbitration Law and the New York Convention of 1958 on recognition and execution of foreign arbitration awards. Concerns emerging from implementation of these rules are known to the People's Supreme Court, which has responded with various remedial actions. To be specific, the People's Supreme Court has delivered trainings for judges. The Justice Board of the People's Supreme Court has also released resolutions explaining a number of rules from the Commercial Arbitration Law. The National Assembly is studying the draft revised Civil Litigation Code, which is strict on procedures for recognition and execution of foreign arbitration awards in Vietnam.
- Disclosing court decisions on handling requests for voiding arbitration awards or recognition and execution of foreign arbitration awards in Vietnam on court websites: The People's Supreme Court has adopted this kind of disclosure and the People's Supreme Court published a collection of decisions passed by its Justice Board.

Response by Ministry of Justice – Mr. Nguyen Khanh Ngoc, Vice Minister

- Vietnam is undertaking far-reaching legal and judicial reforms to meet the country's changing development needs. The legal system has been reviewed and modified to reflect the Constitution 2013, with a focus on international integration.
- The Government and Ministry of Justice (MoJ) have made concerted efforts to achieve civil sentence execution targets set by the National Assembly, specifically through amendments to the Civil Sentence Execution Law 2014. The MoJ has also looked at a public-private mix in civil sentence execution with trial bailiff services in 13 provinces/cities. If this succeeds, the MoJ will propose a set of rules to be formalized in the existing civil sentence execution system.

2. Tourism

Tourism Working Group – Mr. Ken Atkinson, Head

- Each month this year, there has been a decrease in visitor arrivals against the same period last year, with a 12.2% fall in the past four months. However in the first quarter of 2015, visa waiver countries showed a 7% increase over 2014. The direct contribution of travel and tourism to GDP is close to 5% and including the supply chain it is approximately 10%, a significant part of Vietnam's economy. While Vietnam attracted 7.9 million visitors in 2014 and granted visa waivers and exemptions to 16 countries, such figures are dwarfed by regional competitors. As well as requiring visas for the majority of international visitors, Vietnam has the second highest visa costs. One of the biggest obstacles to more visa

exemptions is the loss of such fees. However, this argument is short sighted. Visa exemptions for the EU, North America, Australia and New Zealand are needed. Revenue generated by current visa fees would be heavily outweighed by spending from increased visa-free arrivals. Overall, Vietnam must seriously examine its current visa regime from a neutral perspective, without undue influence from individual stakeholders to encourage tourism and business travel, which would be further enhanced by a true E-visa system and development of Vietnam as a transit hub.

Response by Ministry of Culture, Sports and Tourism – Mr. Huynh Vinh Ai, Vice Minister

- The Government recently unilaterally exempted visas for tourists from 16 countries and the Ministry of Culture, Sports and Tourism (MoCST) will work with the ministries of Public Security and Foreign Affairs to propose a list of countries to further benefit from Vietnam's unilateral visa waiver. The Prime Minister has also instructed the MoCST to propose ways to further simplify visa issuing procedures, while mainstreaming visa issuance at airports, transit visas, electronic visas and possible visa fee travel. The MoCST is also working to enhance tourism development in Vietnam and importantly the Prime Minister has assigned it to quickly make proposals for a Tourism Development Fund, with a focus on PPP.

Response by Ministry of Public Security - Mr. Tran Viet Tan, Vice Minister

The new Entry, Exit, Transit, and Residence of Foreigners in Vietnam (Law No. 47/2014/QH13) in effect since early 2015 has widened the applicability of visas on arrival and the Ministry of Public Security (MoPS) is working with other ministries to consider options to streamline the issuance of visas on arrival and the scope of unilateral visa exemptions. The new law specifies visas or residence cards for guest workers are valid for two years and five years for investors, and allows residential non-nationals in Vietnam to invite their families to Vietnam. The law also specifies that transit visitors to Vietnam are not required to obtain a visa for the transit period. For visitors entitled to visa exemption returning to Vietnam within 30 days or wishing to stay on longer, the Ministry of Public Security and other relevant ministries and line agencies have reported to the government an option for this situation, which is granting visitors a visa on arrival valid for no longer than 15 days. During these 15 days in Vietnam, if the visitors take travel tours in Vietnam from local travel agencies, they will receive another 15-day extension. Overall, the visa issuing procedure has been improved. Visitors for work, investment or employment, including tourists with an institutional invitation, will be considered for visa issuance within five days. More urgent cases, with a request from the inviting entity, may receive the visa within one working day. The recommendation that visa fees be lowered to become more competitive with other countries will also be examined.

3. Land and Property

Land Sub-Group - Mr. David Lim, Head

- The real estate industry has welcomed the passing of the new Real Estate Business and Residential Housing laws to streamline investors' rights and allow greater foreign participation. But, there is concern that implementing decrees and circulars have not been passed. Regarding the draft decrees, they stipulate higher minimum legal capital of VND50 billion for property projects subject to investment in-principle decisions or approvals. Such requirements will discourage companies from undertaking small projects, lead to inefficient capital use and inhibit business competitiveness. Legal capital should only be applicable to the value and scale of projects. If more capital is required, a percentage of total investment

capital should be applied. Secondly, members of a LLC are required to contribute capital in full within 90 days from issuance of enterprise registration certificates, which is unrealistic and will disincentivize developers from undertaking large projects. Provisions should allow for capital contributions according to a project's implementation. Clarity is also needed on the implementation of agreements already signed under old laws, especially in relation to method of calculation and record of the residential housing area, the warranty period and the parking plot. Moreover, under the new laws the sales and lease-purchases of residential houses must be guaranteed by a commercial bank of Vietnam. But, implementing provisions have not been issued. Necessary provisions and detailed guidelines must be issued urgently. Regarding the rights of foreigners to own property in Vietnam, the draft decrees provide further restrictions that could dilute the positive impacts of the new laws.

Response by Ministry of Construction – Mr. Pham Hong Ha, Vice Minister

- The Government will release five implementing decrees, submitted for approval in the first weeks of July 2015, as part of the roll out of the Real Property Trading Law and Housing Law.
- Legal capital top-up: The Ministry of Construction (MoC) has noted the recommendation to remove the requirement that real property investment projects subject to a preliminary decision or acceptance procedure must have a statutory capital of no less than VND50 billion. Thus, the final draft submitted to the Government will not include this legal capital requirement.
- Legal capital: The Real Property Trading Law requires legal capital be not less than VND20 billion. Of the 306 property projects suspended and 460 other projects in need of modification after recent scrutiny, most belong to project owners with limited legal capital. Hence, this requirement is needed to filter out incompetent property market participants.
- Sunset clause for completion of contracts under the former Real Property Trading Law and Housing Law: Contracts signed before the Real Property Trading Law and Housing Law come into effect will continue in line with applicable laws at the time of contract execution.
- Foreign investors acquiring property in Vietnam: The draft decree specifies that foreign entities and individuals may own no more than 10% of total housing units in a number of projects. This is necessary, as the law allows foreigners to own no more than 250 independent housing units in a ward-equivalent resident area, in which there may be many on-going development projects. Thus, the ruling ensures compliance with the law on the 250 housing unit restriction.
- Draft implementing decree to the Housing Law being more restrictive than the law itself on non-nationals subject to limited ownership of residential houses in Vietnam: The MoC welcomes further inputs from the working group as the draft decree submitted to the Government will undergo some modifications, in which, Ministry of Public Security and Ministry of Defence shall be requested to concretize circumstances where foreign individuals are prohibited or restricted for residence.
- The MoC notes the recommendation regarding the inclusion of the company registration certificate in project transfer dossiers impeding foreign investors investing in Vietnam for the first time.

1. Banking

Banking Working Group – Mr. Nirukt Sapru, Head

- For Vietnamese companies to capitalize on fresh market opportunities and withstand more intense regional competition, they need tools to benefit from an integrated market. This includes greater access to information on utilizing free trade pacts. The Government could also consider a sustainable lending program to SMEs, while credit guarantee funds need developing. As Vietnam integrates into global supply chains, stronger SMEs' participation will improve efficiency and strengthen confidence in the financial institutions supporting them. For enterprises, adopting international corporate governance, risk management, law and compliance standards will improve their competitiveness and help Vietnam fully integrate into global supply chains. Regarding banking-specific issues, the BWG appreciates SBV efforts to improve the sector's regulatory framework and is ready to help enhance the consultation process to benefit regulatory reform. The Government and SBV have helped stabilize financial and monetary markets, but a differentiated policy approach is more appropriate as different banks have different levels of risk management, governance, liquidity, capital capacity and business plans. For example, the credit growth cap policy is helping big banks, not good ones. Regarding financial market development, the BWG has agreed to set up a Financial Markets sub-committee to assist companies involved in large projects manage foreign exchange, interest and commodity rate risks. Furthermore, the BWG is working on a shared manifesto to manage risk to raise the bar on conduct and compliance to better develop the financial services system.
- Overall, the BWG has some important recommendations. Firstly, all requests for banking license updates are on hold until the new licensing re-issuance regulation is issued. The SBV is requested to allow for a continuation of business activities pursuant to applicable regulations to avoid banks being subject to legal risks. Secondly, regarding entrustment lending in Circular 30, the MPI is requested to provide clearer implementation guidance to be compliant with applicable laws and regulations. Thirdly, while Vietnam is about to sign the Inter-Governmental Agreement with the United States, FATCA reporting is looming and there is concern there will be no formal basis for banks to report Vietnam-related data to the IRS. The SBV is asked to allow foreign bank branches and foreign-owned banks to send data to head offices for onward reporting to the IRS.

Response by State Bank of Vietnam – Mrs. Nguyen Thi Hong, Deputy Governor

- Directional credit policies for 2016: By the end of this year, the State Bank of Vietnam (SBV) will calculate credit growth and specific regulatory solutions. Such policies will promote expansion, maintain safety and performance, with a further focus on production and trade.
- Entrusted loans under Circular 30: The SBV has requested departments examine this issue and work with the MPI for action.
- Banking licensing under newly released rulings: The SBV is finalizing enacting procedures to update licensing mechanisms for credit institutions for smooth operations.
- Compliance with reporting requirements under FATCA: The SBV has actively participated in bilateral negotiations between Vietnam and the US Government on implementation of FATCA. The SBV will wrap up necessary procedures so an IGA agreement can be entered into by June 30 to support credit institutions.

- Guidance on bank guarantees for selling houses taking shape in the future: The SBV is working on a new circular on guarantees with a specific provision providing guidance on this issue.

2. Capital Markets

Capital Market Working Group – Mr Kien Nguyen, Representative

- Vietnam has a stock market capitalization of approximately \$46 billion, only 25% to its GDP. As a result, Vietnam's stock market will be unable to support the privatization process. If the estimated total value of SOEs to be privatized in the next three years is US\$25 billion and the Government offers to sell only 15% of shares, the market will need US\$3.75 billion to buy such shares. Thus, the capital mobilized locally will not be insufficient and a new flow of foreign capital will be needed. To develop the local stock market, we suggest:
 - Privatization and listing of SOEs: The Government should ensure privatization in step with the listing of privatized companies. And to create liquidity, a global syndicate with 25-30% sold off should be considered.
 - Increasing foreign ownership limits: To attract foreign capital to the stock market and newly privatized SOEs, Vietnam should abolish the 49% foreign ownership restriction applicable to public companies and apply World Trade Organization (WTO) commitments on public companies providing services and open up the stock market by removing ownership restrictions on public companies doing business not under Vietnam's WTO commitments, excepting for businesses which affect national security.
 - Creation of pension funds: The Government is urged pass the draft decree on pension funds as they will provide a significant demand for the financial market and privatization and help reduce pressure on the Social Security Fund.

Response by Ministry of Finance – H.E. Mr. Dinh Tien Dung, Minister

- Recommendations for stock market development are aligned with Government intentions and stated policies. The MoF has advised the State Securities Commission (SSC) to work closely with relevant ministries/line agencies to expedite new mechanisms and policies to further the corporatization and public divestment processes.
- Recommendation for sales of 25-30% of equity of a company going public through international and professional brokers: Regarding the working group's 25-30% figure, is it based on the gross owner's equity or the offering amount of each issue? Decree 59/2011/ND-CP on conversion of SOEs into joint stock companies allows sales of equity through guarantees, but few companies have chosen this method. The MoF will undertake research and address the remaining questions.
- Increase in foreign ownership: The MoF has proposed revising Decree 58/2012/ND-CP, including expansion of foreign equity in line with Vietnam's WTO commitments. Except for conditional business lines and restricted investment areas, other investments will be considered for a higher foreign ownership rates in accordance with Vietnam's WTO commitments. The Government will soon make a decision on this issue.
- Recommendation on early release of a decree on voluntary pension funds: The MoF has led the decree drafting and consultations with relevant ministries/line agencies, businesses and public. The draft decree is now being finalized by the MoF.

1. Infrastructure

Infrastructure Working Group – Mr. Tony Foster, Co-Head

- Businesses remain concerned about infrastructure development delays. The MPI reports that VND500 billion is needed for hard infrastructure over the next 10 years, of which the private sector will provide VND300 billion. However, equity and debt markets are insufficiently developed to realize such infrastructure needs. This places a big burden on PPP, which is still evolving in Vietnam despite many positive steps forward. While Decree 15 is encouraging, it is unlikely to help raise the needed capital. The Infrastructure Working Group recommends the fast implementation of PPP, infrastructure projects under the Investment Law - even outside the PPP framework and a greater focus on infrastructure financing mechanisms.

Infrastructure Working Group – Mr. Tran Tuan Phong, Co-Head

- Impact on current infrastructure projects: Many projects, particularly projects in the power sector, are discussed and negotiated under current BOT framework of Decree 108/2009/ND-CP. However, the transitional provisions of Decree 15/2015/ND-CP on investment in the form of public-private partnerships ("Decree 15") does not seem to encompass BOT projects, which has completed negotiations or are being negotiated and waiting for approval of the Prime Minister. Therefore, more procedures may incur under Decree 15, which leads to prolong negotiation process.
- The competitiveness of Vietnam's economy depends heavily on the implementation of Decree 15. Decree 15 should try to limit making rigid, unclear rules, and need to clarify how specific issues and risks are allocated, standard templates for each infrastructure sector in the guiding Circular to avoid different interpretations of ministries. In addition, there should be a specific communication channel for attractive and feasible PPP projects for structural infrastructure that Vietnam visibly needs and that also attract investors. The scope of available guarantees and further visibility into viability gap funding principles are among the main gaps that ideally would be filled before starting bidding out a comprehensive PPP program. These gaps can be filled on a project by project basis, but the expense of preparing project proposals without having guidelines on what support is available will make such preparation unattractive.

Response by Ministry of Planning and Investment – H.E. Mr. Bui Quang Vinh, Minister

- Decree 15, incorporating Decree 108 and Decision 71, toward public investment reform is welcomed and is consistent with international practices. However, several implementing concerns will be addressed.
- The PPP decree needs to adapt to specific needs of Vietnam. Accordingly, Decree 15 will not only open doors to large-scale infrastructure, but also rural water/sanitation as well as agriculture and rural development.
- Financing projects: The viability gap fund is being rolled out and projects may receive Government support, based on specific cost-effectiveness calculations.

- Sunset clause: Implementing circulars for Decree 15 will provide specific provisions for unapproved BOT projects, that could be approved if not contrary to Decree 15 or only parts in conflict with Decree 15 will be reviewed.
- Foreign exchange guarantee: The Government will warrant foreign exchange purchases for investors and enterprises, but not guarantee exchange rates as they fluctuate over time. However, the Government will safeguard foreign exchange purchases and some projects could receive special treatment, as decided by the Prime Minister.
- Decree 15 provides fundamentals for the PPP model as it designates specific ministries to release implementing circulars for respective areas of governance to negate rules from being overly rigid or out of touch with realities on the ground.

2. Power and Energy; Port and Shipping

Power and Energy Sub-Group – Mr. Sean Chung, Representative

- While Vietnam has provided a stable power supply to consumers, business concerns about future power shortages could be a deterrent to attract further domestic and foreign investment. Such concerns are exacerbated by current low power tariffs. In the first quarter, VBF met FDIs, held workshops and sent out questionnaires on Vietnam's power supply. The clear response was energy security was the most important issue, above energy prices and the majority had no opposition to planned power increases. Energy investors will have greater confidence in the sector if power tariffs reflect the true cost of generation and a clear roadmap of expected power pricing and policies is needed. The VBF Power and Energy Working Group will develop more information/data related to cost-benefit analysis on Vietnam's domestic natural resources and renewable energy to be compared to major planned increases in imported coal as well as direct power purchase agreements used by similar countries to Vietnam. This analysis will assist dialogue on balanced energy security, environmental solutions and create energy supply options. In summary, the Government's power tariff increases are encouraging, but careful examination of domestic energy supply development policies is needed.

Port and Shipping Sub-Group – Mr. Robert Hambleton, Head

- Creation of a domestic and international transshipment hub in Cai Mep remains of vital importance to address the demand/supply container terminal imbalance in southern Vietnam and create an effective deep-water port for Vietnam. In general, the Government has a golden opportunity to make a small number of decisions to significantly help Vietnamese importers and exporters. This is especially important, as the numerous trade agreements in the pipeline will increase container traffic. Current reliance on HCMC urban terminals is not sustainable and an internationally competitive environment to operate container terminals is needed. To achieve this, a reduction in port dues for certain sized vessels is required, as is a relaxation in cabotage regulations. Local services are sub-standard and prohibitively priced as well as a barrier to progress. Another important area is reform of customs regulations, essential if Vietnam is to remain competitive with other ASEAN countries. If Vietnam fails to take advantage of such opportunities, the main supply route in and out of the country could be jeopardized, resulting in higher costs and a less internationally competitive environment.

Response by Ministry of Industry and Trade – H.E. Mr. Vu Huy Hoang, Minister

- Electricity and energy: Power generation and supply in Vietnam is in its best position since 2011, with 20% of output in reserve. However, the quality of electricity may not be well guaranteed due to an outdated power distribution system in certain areas. The Ministry of Industry and Trade (MoIT) has advised the electricity sector to raise capital from different sources to upgrade the power system for corporate users.
- A potential supply shortage is forecasted in 2017-2018 for southern Vietnam and in response the Prime Minister has tasked the sector to undertake urgent projects in the south. The Government intends to encourage domestic and foreign investors to engage in power development, mostly through BOT or BOO models.
- Power tariff change roadmap: The Government believes power tariffs must be market-determined, but regulated by the Government as well as ensure reasonable payback and profits for the sector. Nevertheless, applying higher power prices will burden poor and disadvantaged members of society. As such, the Government will provide direct subsidies from the budget for poor households. And by early 2016 power tariffs will become entirely market-determined.
- Renewable energy: The Government intends to increase the use of safe and renewable energy to ensure sustainable development and a controlled environmental footprint. The Government has requested the MoIT work with the electricity sector to recalculate and increase renewable energy use to more than 5% of total energy sources in Vietnam by 2020.
- Roadmap for electricity retail sales:
 - + Competitive power generation levels: From 2012 power plants have made offers to the electricity sector to buy electricity
 - + 2015-2020: Trial a competitive wholesale electricity market
 - + From 2021: Introduction of a competitive retail electricity market.
- Automotive industry: The MoIT is working with the MoF to draft a decision for the Prime Minister on mechanisms and policies to materialize the Strategy for Automotive Industry Development in Vietnam by 2025 and vision to 2035.
- Special sales tax for automobiles: The MoF is taking the lead in building a formula for determination of the special sales tax, ensuring equality between locally manufactured/assembled cars and imported CBUs.
- Supporting industries: The current legal framework for supporting industry development remains narrow. As a result, the Prime Minister requested the MoIT draft a decree on supporting industries, which is complete.
- In addition, the National Assembly has agreed to give its opinion and pass the draft law on supporting SMEs, respectively in October 2015 and 2016. Moreover, the recent National Assembly, also endorsed new laws, including the Enterprise Law, Investment Law and amendments to the Tax Laws. These laws provide specific tax and administrative procedure incentives for supporting industries.

ADDRESS OF PRIME MINISTER H.E. Mr. NGUYEN TAN DUNG

The socio-economic picture of Vietnam in the first months of 2015 is more promising than 2014. However, there is still room for improvement. First, the Government will continue macroeconomic stability, with inflation not exceeding 5%, stable exchange and interest rates,

build foreign currency reserves, maintain Government over-expenditure at 5% for 2015 and less than 5% for the next five years, restructure Government debt, enhance investment efficiency and achieve an average export revenue growth of 10%-15% per year.

Second, the Government will ease bottlenecks and provide opportunities for the business community to enhance production and trade to help achieve economic growth goals for the industry, agriculture and services sectors. Restructuring SOEs will be prioritized as will corporatization in parallel to Government divestment from companies. Also, restructuring process of banks and financial institutions will be accelerated towards efficiency and transparency.

Third, Vietnam will accelerate its international economic integration and meet trade agreement commitments that will be a cornerstone to establish markets and enabling environments for investment and business activities.

Fourth, Vietnam is concentrating efforts in a three-pronged strategic approach:

- Ensure the local economy operates according to market economy rules and values, with disclosure, transparency and fair competition.
- Concentrated efforts will be made to improve the regulatory system and safeguard the rule of law. The legal system will be enhanced in alignment with international laws. In tandem, improvement in governance capacity as well as Government administration and regulations will be emphasized for better public services and the right to do business in accordance with the prevailing law and to fight corruption more effectively.
- Resources will be mobilized for infrastructure development, with a focus on increased investment in transport infrastructure and energy and power supply to drive economic growth. At the same time, Vietnam is working towards an electricity pricing market mechanism, with a power tariff pathway to provide investors with certainty. Engaging the private sector through PPP in line with international best practices will also be encouraged.
- + A focus on better leadership in human resources development will harness local training capacity and open doors to international education to help improve workers' skills and quality and ultimately labor productivity.

CLOSING REMARKS

The World Bank in Vietnam – Mrs. Victoria Kwakwa, Country Director

The assurances from the Prime Minister and various ministries today are a demonstration of the strong partnership between the Government and business community to develop Vietnam. In particular, the Prime Minister's assurances for macroeconomic stability are welcomed. For Vietnam to take full advantage of deeper trade integration with various trade agreements in the pipeline, it is apparent that strengthening implementation of existing and new laws as well as monitoring their impacts will be vital. The Government and line ministries are encouraged to continue to work with the private sector to secure more efficient regulations and regulatory frameworks for a healthy business environment. Moreover, promoting a strong and vibrant domestic private sector is important. For this to be achieved, a level playing field between SOEs and private sector is needed, with a particular focus on SMEs and micro enterprises.

We also look forward to further progress in the financial and banking sectors, such as strengthening of the regulatory framework for asset management companies. Infrastructure

remains a significant issue and further development of PPP with private sector support is needed. Power remains critical and assurances today that more will be done in terms of pricing is encouraging. Again, the support and valuable inputs from the Prime Minister, Minister Vinh and all ministers are welcomed and we look forward to continue working together for a prosperous Vietnam.

Government of Vietnam – H.E. Prime Minister Nguyen Tan Dung

Commitments for administrative procedure reform have been made in Resolution 19, to improve the investment and business climate and heads of ministries have made commitments to achieve or outperform Resolution 19 targets. Public administration reform, by the end of 2015, will help Vietnam to reach ASEAN 6 block status and by late 2016 on par with ASEAN 4.

Vietnam Business Forum Consortium – Vu Tien Loc, Co-Chairman

Through dialogue, the gap between the business community and Government has narrowed and many recommendations have been addressed. The business community appreciates the Prime Minister's attendance at the forum and pledges to continue working closely with Government agencies to promote economic development.