



ANNUAL VIETNAM BUSINESS FORUM

**Business community in partnership with
the Government of Vietnam in fostering green growth**

HIGHLEVEL SESSION



Hanoi, March 19, 2023

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This publication was created for the Annual Vietnam Business Forum, Highlevel Session on March 19th, 2023 in Hanoi.

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ANNUAL VIETNAM BUSINESS FORUM

Date & Time: 7:30 – 11:35, Sunday, 19 March 2023

Venue: Crystal Grand Ballroom, Lotte Hanoi Hotel, 54 Lieu Giai, Ba Dinh, Hanoi

BUSINESS COMMUNITY IN PARTNERSHIP WITH THE GOVERNMENT OF VIETNAM IN FOSTERING GREEN GROWTH

TENTATIVE AGENDA

HIGH LEVEL SESSION	
7:30 – 8:00	Registration
8:00 – 8:15	Opening Remarks <ul style="list-style-type: none"> • Ministry of Planning and Investment – <i>Mr. Nguyen Chi Dung, Minister</i> • International Finance Corporation – <i>Mr. Thomas Jacobs, Country Manager</i> • Vietnam Business Forum Consortium – <i>Mr. Pham Tan Cong, Co-Chair</i>
8:15 – 8:30	Summary of Technical Session - <i>Mr. Soren Roed Pedersen, VBF Co-Chair</i>
SESSION 1 – SUPPORTING VIET NAM’S TRANSITION TO A GREEN ECONOMY	
8:30 – 9:05	Presentations by 07 Chambers <ul style="list-style-type: none"> • Vietnam Chamber of Commerce and Industry • European Chamber of Commerce in Vietnam • American Chamber of Commerce in Vietnam • Korea Chamber of Business in Vietnam • Japanese Chamber of Commerce and Industry in Vietnam • British Chamber of Commerce Vietnam • Representative of Associate Chambers
SESSION 2 – ROLES AND RESPONSIBILITIES OF BUSINESSES TOWARDS SUSTAINABLE DEVELOPMENT AND ENHANCING COMPETITIVENESS	
09:05 – 09:35	<i>Speakers: 3 speakers</i> <ul style="list-style-type: none"> • <i>Technological innovation, digital transformation and supply chain</i>

	<i>diversification – Digital Economy Working Group</i> <ul style="list-style-type: none"> • <i>Ready for Energy Transition period & Circular Economy – Power & Energy WG & Environment WG</i> • <i>Enhancing the resilience of finance and banking sector – Banking WG</i>
09:35 – 09:50	TEA BREAK
09:50 – 10:45	RESPONSES FROM RELEVANT MINISTRIES/ DEPARTMENTS
10:45 – 11:15	KEYNOTE ADDRESS: H. E. MR. PHAM MINH CHINH – PRIME MINISTER
CLOSING	
11:15 – 11:30	<ul style="list-style-type: none"> • World Bank – <i>Mrs. Carolyn Turk, Country Director</i> • Vietnam Business Forum Consortium – <i>Mr. Soren Roed Pedersen, Co-Chair</i> • Ministry of Planning and Investment – <i>Mr. Nguyen Chi Dung, Minister</i>
11:30 – 12:00	VBF 25TH ANNIVERSARY RECEPTION <i>VBF announces the celebration of the anniversary</i> <ul style="list-style-type: none"> • Video session (8’) • Speech of VBF Co-chair (3’) • Appreciation Plaques (15’) • Photo session (5’)
LUNCHEON	

**SUPPORTING VIETNAM'S
TRANSITION TO
A GREEN ECONOMY**



POSITION PAPER OF VIETNAM CHAMBER OF COMMERCE AND INDUSTRY AT ANNUAL VIETNAM BUSINESS FORUM

PROPOSALS TO SUPPORT AND PROMOTE THE GREEN ECONOMY

Despite complicated and unpredictable market developments in 2022, locally and globally, that negatively affect domestic production and business activities, Vietnam's economy has overcome numerous challenges and gained the momentum of recovery. In 2022, Vietnam's GDP expanded by 8.02%, our GDP was worth about USD 409 billion; our total investment was estimated to increase by 11.2%; our export turnover grew by 10.6% to reach USD 371.39 billion tentatively and our trade surplus was estimated at USD 11.2 billion; the total number of enterprises entering and re-entering the market reached 208.3 thousand, or 30.3% higher compared to 2021, including 148.5 thousand newly registered enterprises and 59.8 thousands of returning businesses.

Key contributing factors are persistent national efforts to ensure macroeconomic stability and inflation control and many other important solutions of the Party, National Assembly and Government. The above results are also driven by the determination to overcome difficulties of the Vietnamese business community in a challenging year, when the number of businesses withdrawing from the market was 143.2 thousand, 19.5% higher compared to 2021.¹

According to different international and domestic organizations, 2023 will be another difficult year for the global and Vietnam's economy. Global challenges include strategic competition between major countries, military conflict, trade war, negative impacts of the global Covid-19 pandemic, along with persistently high inflation, tight monetary policies, persistently raising interest rates in many countries, growing threats such as financial instability, currency crises, public debts, real estate issues, energy, food and information security, among others. Locally, the Vietnamese business community faces considerable pressures from inflation, exchange rates, interest rates, supply chain disruption risks and fierce competition in export and domestic markets. In addition, there are issues related to natural disasters, climate change, and epidemics that present threats and remain unpredictable.

In 2023 and the years that follow, the world will witness big transformations and the Vietnamese business community should pay adequate attention to these global trends:

First, it is better adaptation. After two years of being heavily affected by the pandemic, market developments, regionally and globally, will remain complicated and unpredictable in 2023. The world economy will be hit by higher uncertainties and new challenges. Meanwhile, climate change remains a global threat. Vietnam is one of the five countries most vulnerable to climate change. Therefore, investment activities should focus on enhancing adaptation and better resilience to uncertainties and risks.

Second, we are pursuing a more humane development, for the sake of humans. In the context of the current pandemics, it is now clear that we have become more concerned about our well-being

¹ <https://www.gso.gov.vn/tin-tuc-thong-ke/2022/12/thong-cao-bao-chi-ve-tinh-hinh-kinh-te-xa-hoi-quy-iv-va-nam-2022/>

and health. Some occupations, such as health care or medical jobs, will become even more important. Technological products also aim to better serve people's lives.

Third, it is greener development. Green economy is being promoted globally, with many countries currently pursuing economic growth and addressing the challenges caused by environmental pollution and climate change. Large international markets such as the United States or the European Union all set high standards for "green" products. International organizations are now prioritizing finances for green and environmentally friendly projects. In the years to come, Vietnam's FDI investment should focus on selecting projects with eco-friendly and high-tech technologies. Vietnamese enterprises should strengthen their capacity and adjust their production and business models to access other markets and green financing. Vietnam's business environment should have enabling procedures but also promote green economy and sustainable private sector development.

The Party and State of Vietnam have recently paid great attention to and actively promoted the green economy, circular economy and sustainable development. Vietnam has issued policies and directions on economic development towards sustainability, environmental protection, adaptation to climate change, improvement of investment quality and efficiency, especially FDI investment, focusing on attracting new "green" and higher quality projects. These, among others, include Conclusion 56 of the Politburo on proactive adaptation to climate change, strengthening natural resource management and environmental protection (August 2019), Resolution 50/NQ-TW on institutional and policy development and improvement of foreign investment and international cooperation to 2030 (August 2019), and Resolution 55/NQ-TW on the National Energy Development Strategy to 2030, with a vision to 2045. Institutional and policy development has recently been actively promoted in this direction as many important laws such as the Law on Enterprises, the Law on Investment, the Law on Environmental Protection and their by-law decrees all aim to achieve green development and environmental protection.

In October 2021, the Prime Minister of Vietnam approved the "National Strategy on Green Growth for the period 2021 - 2030, with a vision to 2050", demonstrating the country's ambitious goal of restructuring the growth model towards to the green economy. At the COP 26 Climate Conference, Vietnam made a strong commitment to net zero by 2050, a higher share of renewable energy to over 30% of total primary energy supply and a stable forest cover of 43%. Recently, on December 14, 2022, the Government of Vietnam and the International Partners Group officially launched the Political Declaration on establishing the Just Energy Transition Partnership (JETP) to support Vietnam to deliver on our ambitious Net Zero 2050 goal and transition away from fossil fuels to clean energy.

This demonstrates the strong political commitment and determination of the Party and State of Vietnam in accelerating the economic transformation, contributing to addressing major global challenges of climate change and environmental issues. This is another important step in the strong integration process when Vietnam is already an active and responsible member of the international community, and has participated in important multilateral and bilateral international trade agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) or the European Union–Vietnam Free Trade Agreement (EVFTA) which include trade facilitation and environmental protection requirements.

The realization of Vietnam's national policies and international commitments towards the net zero goal requires the engagement of all parties – central and local governments, businesses communities, local communities, international organizations and socio-political organizations. For the Vietnamese business community, the current challenges are enormous.

- First, the understanding on environmental regulations of Vietnamese enterprises remains inadequate. As seen in the latest VCCI's enterprise survey, although environmental pollution seriously affects business operations, industry knowledge of environmental regulations remains low. Only 31.8% of private enterprises in the country indicated that they are well aware of environmental regulations. In addition, up to 68% of businesses reported being negatively affected by climate change.
- Second, the level of compliance with environmental regulations is not high, although it is improving, since Vietnam's private sector is currently dominated by small and medium-sized enterprises. Many of them are not fully aware of their environmental responsibility, arguing that their tiny scale of operations would not cause harm to the environment, and many are not equipped in terms of human resources with proper understanding of environmental regulations while these regulations are quite complicated and not easily accessible, and the cost of compliance is still high. Investment costs for "green" production and eco-friendly business operations are huge, lowering the competitiveness of enterprises in the short run. VCCI's survey data shows that 44% of domestic enterprises and 38% of FDI enterprises admitted that they have not fully complied with environmental regulations. The extent to which enterprises are engaged in local environmental protection programs is low (37%). It is noteworthy that, while 91% of enterprises believe that environmental protection is the responsibility of the local government, there are much fewer companies indicating that they should contribute to this process.
- Third, industry investment in innovation and new green practices is modest. According to UNDP's 2021 report, even in energy-intensive sectors such as manufacturing, transportation and construction, only about a half of businesses are applying energy- and resource-saving solutions.

In order to realize development directions and effective implementation of the Government tasks and solutions towards a green economy and sustainable development, VCCI and the business community have a number of recommendations as follows:

(1) Enhance the participation of the business community in legal development and enforcement of environmental laws and regulations towards the green economy and sustainable development: Boosting the participation of businesses and the general public, by means of consultation, in legal formulation and improvement enhances the quality of legal regulations. In addition, it is to improve the feasibility of regulations in the actual implementation process.

(2) Facilitate access to information on policies and regulations on environmental protection, green economy and sustainable business development: State agencies need to improve the effectiveness of policy and regulation dissemination so that businesses (especially micro and small enterprises) are able to access this information at ease. Existing regulations and policies in this field are in different legal documents, making it difficult to search for and cross-check them. Policies and regulations should be disseminated in a centralized manner on the portals managed by provincial governments and specialized environmental and business management agencies, thus improving their understanding on environmental regulations in a convenient and complete manner. In addition, it is necessary to develop appropriate and effective forms of communications, awareness raising and legal education on environmental protection, while also engaging businesses in environmental programs.

(3) Develop and improve institutions and policies on green growth, incentive policies targeting investors and enterprises investing in high and clean technologies: The existing legal framework on green growth is being improved at the central level while not much of this work has been done at the local level. Local governments should develop plans and strategies for green growth to deliver on policy frameworks and strategies at the central level, including the National

Green Growth Strategy and the five-year socio-economic development plan with specific solutions to promote the participation of the business community. In addition to policy development, state agencies should develop a diverse portfolio of incentive policies for potential and existing businesses, investors and projects that are using advanced, clean, energy- and resource-saving, low-carbon and eco-friendly technologies. A complete and centrally developed set of criteria is also essential to assist local governments selecting and evaluating potential investors and projects using advanced and eco-friendly technologies or promoting technological innovations, especially in Vietnam's priority industries and sectors that present comparative advantages and are currently emitting high emissions such as agriculture, tourism or energy sectors.

(4) Monitor and evaluate the implementation of policies on green economy and sustainable development at the local level. VCCI is developing and will publish the Provincial Green Index (PGI) in 2023. From the industry perspectives, this is an independent set of indicators to assess the local green business environment, business compliance with environmental laws, their application of eco-friendly technologies, their environmental management and adoption of pro-environmental behaviors, their environmental considerations, local policies to encourage green investment and other important environmental aspects. The development of the Provincial Green Index also aims to provide inputs needed for central and local State agencies to formulate investment and environmental policies, strengthen state management, and promote green transformation at local level. With a bottom-up approach, the Provincial Green Index is expected to provide critical insights as the Provincial Competitiveness Index (PCI).

(5) Enhance business access to financing for green growth: By calculations by the Ministry of Planning and Investment and the World Bank, Vietnam is expected to mobilize about USD 30 billion to implement the National Green Growth Strategy to 2030 while the state budget can cover up to 30% of needed finances, mainly focusing on investment in transport infrastructure and other priority targets. International lessons show that public investment is not the main source of capital for green growth as private investment plays a decisive role. Therefore, state agencies should develop incentives to further promote green financing programs that engage domestic and foreign financial institutions, with priority to green growth projects, and create enabling conditions for adoption of green financing instruments such as carbon credits, green bonds and carbon markets.

(6) Continue to promote the improvement of the green business environment and national competitiveness, with a focus on reforming administrative procedures, market entry conditions, and cutting costs for businesses. Focus on reforming some cumbersome administrative procedures, based on businesses' feedback, namely land, tax, social insurance, construction, market management, transport, fire prevention, environment, treasury and labor, etc. It is recommended that the Government direct ministries and agencies to continue reviewing and optimizing the interdisciplinary administrative procedures, especially the group of procedures related to investment, construction, land, and environment. Aim towards establishing interconnection among different state management agencies on enterprise databases to ensure unified and concerted state management of businesses. Further promote regulatory reform on business conditions. Further mitigate the burden of business inspection, in the direction of applying the risk-based inspection principles. Promote reforms in specialized inspection for import and export goods.

Given future uncertainties, Vietnam should convey a strong message on developing consistent and predictable national policies to compensate for uncertainties in the world. This is an important foundation for Vietnam's disruptive growth in the near future.



SPEECH OF EUROPEAN CHAMBER OF COMMERCE AT THE ANNUAL VIETNAM BUSINESS FORUM

Your excellency, Mr. Pham Minh Chinh, Prime Minister of Vietnam,
Your excellency, Mr Nguyen Chi Dung, Minister of Planning and Investment,
Dear Mr. Pham Tan Cong and Mr Soren Roed Pedersen, Co-Chairs of the Vietnam Business Forum,
Distinguished guests,
Ladies and gentlemen,

It is with great honor that I stand before you today as the newly elected chairman of EuroCham Vietnam. Our organization's mission is to accelerate bilateral trade and investment between Europe and Vietnam. With 1,300 members and 9 national business associations, we live and breathe this ambition. I am proud to follow in the footsteps of my predecessor Alain Cany, who was part of the delegation accompanying Your Excellency Prime Minister Chinh when you made the historic COP26 commitment to decarbonize Vietnam by 2050.

In pursuit of fully realizing our mission, we must work together to identify areas for tangible progress, share advanced European technology, and attract high-quality foreign investment. Today, I'm delighted to share some policy recommendations that will facilitate this and pave the way towards Vietnam's green prosperity and economic transformation, while also fully leveraging the benefits of the EVFTA and accelerating the ratification of the EVIPA by all EU member states. First and foremost, we must discuss our theme of the day - **green growth**. Today, we are on the cusp of a green revolution, and Vietnam has the potential to blaze a trail towards a sustainable and thriving future. This idea led EuroCham to organize the Green Economy Forum & Exhibition in late 2022. The event showcased Vietnam's vast promise, and we were thrilled to see His Excellency Prime Minister Chinh and several ministers there. Looking forward, we plan to host the event again in 2024, building upon the momentum with full support from Vietnamese authorities.

Anticipating what's to come, embracing **renewable energy** is our most urgent and transformative task. For this, the government should allow and encourage all power consumers to access and invest in renewable energy alongside implementing energy efficiency. To reduce carbon emissions and promote a cleaner energy mix, it's essential to implement Power Development Plan 8 and all the necessary regulations, with the early inclusion of a coal offset strategy. Vietnam has abundant solar and wind energy resources, making it crucial to adapt institutions and infrastructure to enable a complete shift towards renewable energy. This includes green hydrogen, which can be supported by well-developed energy storage systems.

Waste and water shortage issues can also be addressed with a **circular economy** framework. Despite progress in implementing the Extended Producer Responsibility Law, we recommend reinforcing the fines on enforcement of waste regulations and promoting alternative materials and if not possible, compostable plastics, until plastic waste is significantly reduced.

To support Vietnam's goal of becoming a leader in life sciences, EuroCham emphasizes enhancing **access to pharmaceuticals and medical devices** through optimized regulatory processes and

global best practices. This requires value-based procurement and financing policies backed by a revised Pharma Law. While Decree 07 and Resolution 30 have eliminated barriers and improved health insurance reimbursement, swift marketing authorization approvals for Class C and D medical devices by the Ministry of Health are vital to further reduce shortages.

As we move towards a sustainable future, we must combat climate change and environmental incidents in every aspect of our lives. This is especially important in **healthcare facilities, which should be green and resilient**. To achieve this, regulations, standards, and a roadmap for sustainable healthcare facilities in Vietnam must be established. We must also ensure that medical waste management systems meet national and international standards, and that green technology and clean energy are incorporated into the treatment process. Likewise, a comprehensive database is needed for monitoring climate change and air pollution's impact on health.

In today's global marketplace, Vietnam also needs to captivate and retain exceptional talent. For this, the current **work permit procedures** should be streamlined. Let's not forget that high-quality foreign investment is essential to Vietnam's economic success. However, we cannot attract these investors without the ability to recruit and retain top talent. It's simply not right that people who have been living, working, and investing in Vietnam for years, with multiple successful work permits, are now being denied permit renewals for minor procedural issues. To unleash the potential of our diverse and talented workforce, we must simplify bureaucratic hurdles and clear the path to success. This can be achieved through reforming the Labor Law and Decree 152.

Next, Vietnam's rich landscape and cultural heritage make it a prime destination for tourists. To fully realize this potential, **visa exemptions** of one-month should be extended to all EU countries and other major tourist sources. Moreover, implementing a specialized visa program tailored for self-supporting retirees for three-to-six months has the potential to catalyze the growth of a thriving tourism sector, mirroring the success of our neighboring countries.

Furthermore, it is critical for the government to continue prioritizing a thorough **digital transformation**. For this, it's vital to establish practical compatibility for European enterprises operating in Vietnam to comply with both the Vietnamese Cybersecurity Law and the EU GDPR. This requires harmonizing Vietnamese personal data protection laws with international laws to facilitate data exchanges between Vietnamese companies and multinationals. We also recommend that wet signatures and personal identification be replaced with internationally recognized electronic signature certificates. Additionally, the adoption of innovative cloud-first policies should come with internationally recognised accreditation, compliance, and security measures.

As for **taxation**, to remedy the impact of the impending global minimum tax rate (GMT), we suggest investment-encouraging measures. This could include implementing exemptions on import duties, extended land tax holidays, and cost-based incentives, especially for research and development costs.

Regarding the **special consumption tax (SCT)**, we must ensure that the elimination of import duties under EVFTA is not negated by increases in SCT, as it would undermine the FTA's purpose of promoting mutual trade. To mitigate the protectionist impact of SCT, the government could consider a hybrid SCT system for wine and spirits, while exempting healthy nutritional products to align with international standards. Additionally, we urge the Vietnamese government to reduce or exempt SCT for eco-friendly industries and low-carbon transportation such as electric vehicles. As I conclude my remarks today, I want to emphasize that EuroCham stands proudly alongside our Vietnamese partners, united in our mission to build a brighter future for all. We firmly believe that by working together, we can create a brighter future for all Vietnamese citizens. As the old saying goes, "Một cây làm chẳng nên non, ba cây chụm lại nên hòn núi cao," which means that one tree alone may not make a hill, but three trees together can create a towering mountain.

Similarly, by collaborating and combining our efforts, we can achieve great things and build a sustainable future for generations to come. Let us continue to work together and forge a partnership that will stand the test of time for the benefit of Vietnam and the Vietnamese people.



POSITION PAPER OF EUROPEAN CHAMBER OF COMMERCE IN VIETNAM AT ANNUAL VIETNAM BUSINESS FORUM

BUSINESS COMMUNITY IN PARTNERSHIP WITH THE GOVERNMENT OF VIETNAM IN FOSTERING GREEN GROWTH

H.E. Prime Minister Pham Minh Chinh,
Respected Ministers and Government Officials, Country Directors of the World Bank and International Finance Corporation, colleagues of the Vietnam Business Forum and Chambers of Commerce,

Even with 2022's global commodity price spikes, inflation and supply chain disruptions, Vietnam stands tall as one of the world's top growth economies. Vietnam is now well-positioned to show the world its potential as a global leader in sustainable economic development. For this to happen, Vietnamese government officials and European business leaders should continue the productive dialogue we have all been having since EuroCham's founding in 1998.

After the EU-Vietnam Free Trade Agreement (EVFTA) came into effect two and a half years ago, trade between Europe and Vietnam has been rising. The value of import-export turnover with the EU in the first and second years following the implementation of the EVFTA was \$54.9 billion and US\$61.4 billion, respectively, growing at an annual rate of 11.9 percent. In 2021, Vietnam's exports to the EU reached US\$45.8 billion, increasing 14.2 percent year-over-year despite the impacts of COVID-19.¹ Exports to the EU accounted for US\$43.5 billion in the first eleven months of 2022, a 21 percent increase over 2021.² Foreign direct investment (FDI) activity also recovered, with newly registered capital and additional registered capital increasing, indicating that EU investors continued to be confident about the Vietnamese investment environment. As of August 2022, 25 of 27 EU Member States have invested over US\$27.6 billion in 2,384 projects in Vietnam.³ By 20 December 2022, foreign investment in Vietnam, including newly registered capital, adjusted registered capital, capital contributions and share purchases by EU investors, reached US\$2.46 billion, or 8.87 percent of total foreign investment.⁴

This trend comes nearly two and a half years after the ratification of the EU-Vietnam Free Trade Agreement. While Vietnam has also already ratified the EU-Vietnam Investment Protection Agreement (EVIPA), the issue lies with the ratification by the individual EU member states, with only 12 of 27 EU Member States having ratified it. It is imperative that EU countries continue to support the ratification of the EVIPA as soon as possible so that the full potential of the EVFTA can be realized.

¹ Vietnam-EU trade increases 14.8 per cent in 2021, Ministry of Industry and Trade of Vietnam, available at < <https://moit.gov.vn/en/news/industry-and-trade/vietnam-eu-trade-increases-14.8-percent-in-2021.html>>, last accessed on 5 August 2022.

² "EVFTA presents opportunities and challenges for exporters in 2023", Online newspaper of the WTO Centre, 21 December 2022. Available at: <https://wtocenter.vn/chuyen-de/21039-evfta-presents-opportunities-and-challenges-for-exporters-in-2023>

³ "Đầu tư trực tiếp nước ngoài từ EU vào Việt Nam: Thực trạng và hàm ý chính sách", Vietnam Journal of Science, Technology and Engineering, Ministry of Science and Technology of Vietnam, available at < <https://vjst.vn/vn/tin-tuc/6957/da-tu-truc-tiep-nuoc-ngoai-tu-eu-vao-viet-nam--thuc-trang-va-ham-y-chinh-sach.aspx>>, last accessed on 3 January 2023.

⁴ "December 2022 report on foreign direct investment", Ministry of Planning and Investment of Vietnam.

Although Vietnam's FDI indicators have been positive, European business stakeholders' perception of the country's business environment fell to 48.0 in the fourth quarter of 2022, according to the Business Climate Index (BCI) published by EuroCham and produced by YouGov Decision Lab. This was a drop of 14.2 points compared to three months ago and 25 points from the first quarter of the year. Although Vietnam's economy grew by 5.92 percent in the fourth quarter of 2022 and by 8.02 percent for the entire year, the data comes amid continued global economic volatility triggered by a number of factors, including a slowdown in global growth, a hike in interest rates, sustained inflation, and bruised consumer confidence.

Considering these challenging circumstances, we believe that the most efficient and effective way for Vietnam to move forward and build a solid foundation for future development is by focusing on a green economy and sustainable development.

EuroCham has promoted this extensively through numerous channels, most notably through the Green Economy Forum and Exhibition (GEFE) 2022 in Ho Chi Minh City. At GEFE 2022, nearly 6,000 attendees participated, along with notable top-level officials such as His Excellency Prime Minister Pham Minh Chinh; His Excellency European Commissioner for the Environment, Oceans and Fisheries Virginijus Sinkevičius; and Her Excellency Minister for Foreign Trade and Development Cooperation of the Netherlands Liesje Schreinemacher. A total of more than 30 high-quality conference sessions were held over three consecutive days, and there were 165 international exhibitors present. As we work towards net zero, we sincerely hope that this event, along with other EuroCham initiatives, will assist Vietnam in reaching its ambitious goals.

On another note, EuroCham, our 18 Sector Committees, and our Board of Directors appreciate the strong cooperation between the Vietnamese government and us in developing policies and regulations to support businesses. For example, the reduction of value added tax (VAT) during the dark days of the pandemic and the issuance of a resolution on the marketing authorization of drugs, both of which were sufficient to alleviate some difficulties facing businesses.

To maintain the momentum that the Vietnamese government and the European business community have established, please find below key issues, challenges, and recommendations from our 18 Sector Committees to the Vietnamese government. These recommendations are grouped into five main topics:

- (i) Business Environment/Trade and the Economy;
- (ii) Sustainable Development;
- (iii) Consumer Choice;
- (iv) Health and Beauty; and
- (v) Dispute Resolution.

These remarks and recommendations aim to increase the attractiveness of Vietnam to international investors and to contribute to the development of a green economy.

I. Business environment/ Trade and the economy

A. Digital

1. Harmonisation of the Vietnam personal data protection regulation with EU Regulations

We would like to recommend to having harmonisation of the Vietnamese personal data protection regulations with EU GDPR, Digital Service Act, Digital Market Act, and other international personal

data protection laws; The objective is to ensure the safety of the users in the digital space through the regulation of the major technological platforms.

2. Facilitation of free flows and exchange of data between Vietnamese and multinational/European businesses and organisations safely and secure, such as recognising internationally reputable third-party data security, privacy, and information management certifications

We recommend that the Government elaborate further on the different levels of importance of data and their respective corresponding obligations soon so that relevant entities are able to prepare and be in compliance with the laws. Further, we recommend that the MIC and other relevant government bodies ensure consistency across different legal instruments (e.g., Draft Personal Data Protection Decree, Cybersecurity Law, etc.) to avoid confusion. We look forward to seeing detailed regulations on the classification of data and the data security assessment process and procedures to suit the practical needs of ensuring that data is secure and an open business environment.

3. Recognition of international certificates for electronic signatures to provide electronic alternatives for wet signatures and personal identification

We recommend that the Ministry of Information and Communications support the recognition of electronic signature certificates to provide alternative electronic solutions for live signatures and personal identification.

4. Adoption of innovative cloud-first policies with internationally recognised cloud accreditation, compliance and security mechanisms

With fast application and global collaboration, existing digital policies such as Cybersecurity Law, Decree 53 guiding implementation of the Cybersecurity Law, Draft Personal Data Protection Decree, the new decree replacing Decree 72 on management, provision and use of internet services, as well as the proposed Digital Technology Industry Law should be recast and formulated to ensure Vietnam sets along a new path of sustainable growth driven by robust digital transformation with critical policy settings that are open, transparent, regionally focused and globally consistent. Towards that goal, regular dialogues and consultations with the business community for exchanges of international or regional best practices during the drafting and enforcement of laws and regulations is strongly recommended.

B. IPR

1. Criminal prosecutions of IP infringement

The current level of IP infringement - both online and offline - has caused significant damages to IP owners as well as negatively impacted the legitimate interest of consumers. These counterfeit goods also come from Vietnam, given the disruption of supply chains caused by China's strict COVID-19 lockdowns. Having a strong enforcement measure against serious IP infringement is one of the key solutions to tackle this problem. This is not only beneficial to foreign investors who often suffer, but it is also increasingly beneficial to domestic companies who are starting to feel the impact of infringement against their business. Many IP infringements involve organized networks of infringers across provinces.

We would like to recommend:

- The Supreme People's Court should issue an official guideline on criminal IP prosecutions to provide timely guidance to all enforcement authorities.
- The authorities should consider imposing stronger sanctions for IP infringements and, in the long run, establish specialised IP courts in Vietnam and work with EuroCham's IPR Sector Committee members to discuss challenges and organise more sharing sessions to exchange experiences among different authorities in practical issues in criminal prosecutions of IP crimes. The Economic Police should take the lead in taking actions against IP crimes and provide guidance to other authorities.

2. Complex copyright registration requirements for enforcement

Presently, copyrights are registered with the Copyright Office of Vietnam (COV) with several challenging requirements for IP owners. These include the need to include documents like the passport/national ID card of the author/creator and employment contracts which may contain personal private information, trade secrets, and confidential information. A declaration also needs to be signed by the author/creator. This can be difficult to obtain as they may have left the company's employment or are deceased. No alternatives to copyright registrations are accepted to show proof of copyright ownership by IP owners.

We would like to recommend to encourage flexibility to consider alternative proof of copyright ownership.

3. Requirement of an Expert Opinion from Vietnamese IP bodies

The requirement for an opinion significantly reduces the efficiency of enforcement actions due to the speed and uncertainty of rendering opinions, as well as a lack of willingness to consider other alternatives. In terms of the speed of rendering opinions, while some IP bodies are making progress, the time taken for an opinion to be rendered tends to be lengthy and unpredictable. There have been opinion requests made for more than one year that have still not received a response.

4. Intellectual property right prosecution - Copyright

The lack of detailed guidance on these three concepts might lead to: (i) negative impacts on the rights of the copyright holder with respect to the copied work, and (ii) difficulties in determining whether a citation results in the inability to use the published work without seeking the permission of the copyright holder or paying royalties.

We would like to recommend the following guidance should be added in a decree guiding the implementation of the Amended IP Law:

- A definable/measurable limitation to the extent that work can be copied for use in scientific research, for individual reference, or for non-commercial purposes.
- Detailed guidance on the concepts of "reasonable citation" and "without misleading the author's intention".

5. Intellectual property right prosecution – Patent

Unclear issues can cause difficulties for IPR holders where there may be a conflict between an obligation in Vietnam and requirements in other countries. For example, this could occur if an invention is partly created in Vietnam and partly in other countries which also have first filing requirements. If "created" is to mean "partly created" - and if other countries also have similar regulations - which obligation should the IPR holder follow? A similar potential conflict will arise if

the registration right of an invention/utility solution belongs to both a foreign entity and a Vietnamese entity as noted above.

If an IPR holder is not interested in filing a patent application in Vietnam, the requirement to first file the patent application here (just to meet the regulation for security control) complicates the process for the IPR holder and places a burden on IP Vietnam. This is because, after spending lots of time, effort, and expense on the Vietnamese filing, the IPR holder will almost certainly abandon it. It also wastes the time of IP Vietnam, which must follow the normal procedure of formally examining the patent application which is, in fact, stricter than in many countries. We would like to recommend to:

- Issue guidance on what determines whether an invention/utility solution is “created in Vietnam”. We recommend that “created in Vietnam”, in this context, is limited to “entirely created” to avoid potential conflict with similar regulations in other countries.
- The guidance should also clarify cases where the registration right of an invention/utility solution belongs to both foreign and Vietnamese entities, stating whether the obligation of first filing requirements must be followed.
- The guidance needs to specify what technical fields are considered to impact on Vietnam’s national security and defence.
- The guidance should provide two procedures for an IPR holder to choose:
 - If the IPR holder does not want to file a patent application in Vietnam, the procedure for first filing requirements should be simpler. In particular, the patent specification should be much simpler than the normal patent filing procedure to obtain patent protection. Additionally, IP Vietnam should not require a translation of the specification into Vietnamese. The patent specification for first filing requirements should be concise to the extent that relevant authorities can determine if such invention/utility solution is considered to impact on Vietnam’s national security and defence.
 - If the IPR holder wants to file such a patent application in Vietnam, they can follow the normal patent filing procedure to obtain patent protection.

C. M&A

1. Merger and Acquisitions (M&A) - Environmental, Social, and Governance (ESG) Standards

Despite the rapid development of the Vietnamese M&A market, local ESG regulations are still very sparse and scattered across a variety of different legal sources. These are often unspecific and do not afford any clear instructions or distribution of liability. This uncertainty is likely to hamper investment decisions and necessitate additional resources and spending on the environmental due diligence side of M&A deals.

To stay competitive with its regional peers, who have started pushing the ESG agenda mainly through their lending and financing policies, Vietnam can profit from establishing clear-cut standards and accelerating legislation that supports its strong COP 26 commitments to sustainability and net-zero carbon emissions.

We would like to recommend consolidate the ESG standards into specific sources of law and provide additional legislation to close current gaps and clearer circumstances for foreign investors. Additionally, awareness should be raised amongst stakeholders on the ESG standards and M&A investment. Transparency, sustainability, and environmental protection are to be promoted throughout the public administration sector and for M&A investment towards Vietnam’s net zero carbon goals and investors’ understanding of their environmental implications.

2. Merger Control

Vietnamese competition legislation imposes a so-called ‘Merger Control’ regime on certain transactions that surpass legal thresholds, as defined by the Law on Competition 2018 (LOC) effective from 1 July 2019 and Decree 35. These regulations forbid any M&A transaction that falls under the scope of the applicable regulations. Alternatively, it may require notification to and approval of the Vietnamese competition authorities before it can proceed. This is also subject to an examination of ‘economic concentration’ that will result from the transaction. Decisions on Merger Control are made by the NCC under MOIT.

The system of Merger Control (without any viable exemption), in combination with the painfully low thresholds for the “economic concentration” label under Vietnamese competition laws, therefore, is a strong counter-argument when considering the viability of M&A transactions.

If Vietnam adjusts its Merger Control regime to be more representative of international best practices and standards, the domestic M&A market is likely to overshadow its regional peers. A lower caseload at the approving authorities’ desk will also increase overall deal efficiency in the country.

We would like to recommend Exemption of internal corporate group re-organizations from the Merger Control regime and the threshold amounts under the relevant Merger Control regulations which trigger notifiable transactions to be raised. In addition, the definitions of competition law and investment law limit the amount of M&A in Vietnam (e.g., “the enterprise or group of affiliated enterprises of which such enterprise is a member”, “the market of Vietnam”, etc.) to be clarified and narrowed.

D. Real Estate

1. Land use right certificates for foreigners

The long delay in issuing Land Use Right Certificate (LURC) for foreigners significantly affects their ownership and housing rights because those who bought residential houses without the LURC could become victims if disputes arise between them and the sellers. These delays could also make foreign investors hesitant to invest in Vietnam’s real estate market. This causes risks for foreign investors who need to obtain the LURC and protect their legal rights and benefits. In addition, without the Foreign Ownership Prohibited Projects List (FOPPL), the authorities may be confused or delay issuing the LURC to foreigners.

We would like to recommend issuance of the FOPPL, in accordance with the instructions of the PPC, to enable the LURC to be issued for foreigners who have bought residential houses in Vietnam.

E. Tax and Transfer Pricing

1. Implementation of Pillar Two – Global Minimum Tax – in Vietnam

The prevailing regulations on investment incentives for eligible projects mainly focus on three main areas:

- Corporate Income Tax (CIT) incentives, including: preferential rate (10%, 15%, 17%), tax holiday for certain period, including tax exemption and reduction;
- Import duty exemption;
- Land and water surface lease incentive.

Currently, there is no announcement or specific regulation regarding the adoption and implementation of Pillar Two of the OECD in Vietnam.

In October 2021, G7, G20 and 136 countries and jurisdictions participating in negotiations organized by the OECD agreed to a Two-Pillar Tax Reform Solution, including Pillar Two on the Global Minimum Tax (GMT) of 15%. Countries that are members of the OECD as well as members of the Inclusive Framework have been in the process of developing and changing their domestic laws to cope with the implementation of Pillar Two from 2024.

We would like to recommend that the Government of Vietnam should study what impact the GMT would have on investors, and business environment in Vietnam; and provide practical, effective and timely solutions to compensate enterprises whose CIT incentives are less favorable, or become ineffective, due to the adoption of GMT.

2. Incentives in terms of expenses

Currently, CIT incentive policy mostly include profit-based incentive types, meaning only when enterprises are in profitable position and generate taxable income, such enterprises could enjoy the benefits from tax incentives. Meanwhile, other direct incentive types such as cost-based incentives are not popular under Vietnam's regulations. Normally enterprises would not generate profits in the first few years of operation due to large investment expenses on infrastructure, technology, R&D, thus such enterprises need more direct incentives, e.g. supports on expenses spent on infrastructure, R&D, technology transfer, to encourage investment activities, R&D activities, as well as technology transfer in Vietnam.

It is recommended that the Government should supplement cost-based incentives (e.g. supports on expenses spent on infrastructure, R&D, technology transfer) to encourage projects in selective investment sectors, such as:

- Projects with large investment capital, with significant spendings on infrastructure (e.g. buildings, machineries, etc.)
- Projects with significant expenses incurred on technology, R&D, such as in the fields of high-tech, R&D projects, manufacturing electric vehicles.

3. Tax incentives for projects manufacturing electric vehicle

The prevailing regulations on CIT do not include the CIT incentives for projects manufacturing electrical vehicles (e.g. electric car).

Currently, the electric vehicle production industry is a breakthrough industry in the world, with high economic potential and application of advanced technology. This field is and is expected to attract interest as well as large investment capital from domestic and foreign investors, leading to the development of the supply chain of raw materials and components, which potentially make an important contribution to the development of industries in Vietnam.

In addition, in terms of the environment, electric vehicles make an important contribution to environmental protection by limiting emissions into the environment. This field is also very suitable for Vietnam's green development strategy as well as the implementation of COP26 commitments.

Accordingly, the field of producing electric vehicles should be encouraged and enjoy high CIT incentives.

It is recommended that the Government should supplement CIT incentives for investment projects manufacturing electric vehicles with high incentive level – similar to investment projects in the field of environmental protection, as below:

- Preferential tax rate of 10% in 15 years; and
- Tax exemption in 04 years, 50% tax reduction in 09 subsequent years

4. CIT incentive application for high-tech sectors

According to the guidance of Law 32/2013/QH13 and Decree 218/2013/ND-CP guiding CIT, the application time of CIT incentives for high-tech enterprises, agricultural enterprises applying high-tech, and projects applying high-tech are counted from the date of Certificate issuance.

However, according to the guidance of Circular 78/2014/TT-BTC and Circular 96/2015/TT-BTC guiding CIT, the application time of CIT incentives for high-tech enterprises, agricultural enterprises applying high-tech, and projects applying high-tech are counted from the year of Certificate issuance.

For high-tech enterprises, agricultural enterprises applying high-tech, and projects applying high-tech, the guidance on the starting time of incentive application period is not consistent among Law, Decree, and Circular guiding CIT. Especially, the guidance under Law and Decree which stipulates the application from the date of Certification issuance would create difficulties for enterprises to apply, as currently there is no guidance on the allocation of taxable income entitled to CIT incentives between different periods in the same year. The application of incentives from the year of Certificate issuance would be more supportive for enterprises to calculate and declare CIT incentives.

It is recommended that the Government should amend the regulations to have consistent guidance on the application time of CIT incentives for high-tech enterprises, agricultural enterprises applying high-tech, and projects applying high-tech from the year of Certificate issuance.

5. Direct capital transfer

Point 1, Article 14 of Circular 78/2014/TT-BTC guiding the declaration of CIT from capital transfer activities: “In case the enterprise transfers the entire one-member limited liability company owned by the organization in the form of capital transfer attached to real estate, it shall declare and pay corporate income tax for transfer real estate and declare it under the corporate income tax return (form No. 08) attached to this Circular.”

Prior to 1 January 2022, according to the provisions of Article 16 of Circular 151/2014/TT-BTC amending Article 12, Circular No. 156/2013/TT-BTC guiding the Law on Tax Administration:

“7. Declaring corporate income tax for capital transfer activities

a) Income from capital transfer of an enterprise is considered as other income, the enterprises earning income from capital transfer are responsible for determining and declaring the amount of corporate income tax from capital transfer in the annual tax finalization return.

In case of transferring the entire one-member limited liability company owned by the organization in the form of capital transfer attached to real estate, tax liability must be paid on occurring basis and declared under form No. 06/TNDN enclosed with this Circular and subject to annual tax finalization at the location where the enterprise has its headquarter.

b) A foreign organization doing business in Vietnam or earning income in Vietnam (collectively referred to as a foreign contractor) that does not operate under the Law on Investment or the Law on Enterprises having capital transfer activities would be subject to tax declaration on occurring basis

Tax declaration dossiers for income from capital transfer include:

- Corporate income tax declaration for capital transfer (under Form No. 05/TNDN issued together with Circular No. 16/2013/TT-BTC);”

Circular 80/2021/TT-BTC does not specify the CIT declaration form for capital transfer for each specific case.

Although pursuant to Circular 78/2014/TT-BTC and before 1 January 1 2022 under Circular 151/2014/TT-BTC, there are regulations on the use of form 06/TNDN for declaring CIT liabilities in case of transferring the entire single-member limited liability company which is owned by an organization in the form of capital transfer attached to real estate, such regulations do not specify or define which cases are considered as “transfer of capital attached to real estate”.

This makes it challenging for the enterprises to determine which form of the capital gain tax return to be used, especially when the Vietnamese enterprise (in which the capital is transferred) owns real estate in its asset structure (for example, land lease and factories attached to the land, which are considered as real estate). attached to land is also considered immovable property). It is worth noting that the method of declaring criteria in Form 05/TNDN and Form 06/TNDN are completely different.

In addition, the current provisions in Circular 80/2021/TT-BTC do not specify the CIT declaration form for capital transfer for each specific case as previously prescribed.

We kindly request the Ministry of Finance to issue guidelines for the CIT declaration form to be used for capital transfer for each case, and to specify or define specific cases that are considered as “transfer of capital attached to real estate” for the enterprises to properly comply.

6. Indirect capital transfer

Point 2d, Article 2 of the Law on CIT 2008 stipulates that “Foreign enterprises without permanent establishments in Vietnam shall pay tax on taxable income arising in Vietnam”.

Article 1 of the Decree No. 12/2015/ND-CP dated 12 February 2015 stipulates that:

“3. Taxable income arising in Vietnam of foreign enterprises specified at Points c, d, Clause 2, Article 2 of the Law on Corporate Income Tax is income received sourced from Vietnam from operations. providing services, supplying and distributing goods, lending capital and royalties to Vietnamese organizations and individuals or to foreign organizations and individuals doing business in Vietnam or from capital transfer, projects investment, the right to contribute capital, the right to participate in investment projects, the right to explore, exploit and process mineral resources in Vietnam, regardless of the location where the business is conducted.”

It is understood that from 2015, the Decree 12/2015/ND-CP provides a broader stipulation on the taxable income arising in Vietnam of the foreign enterprises without a permanent establishment in Vietnam which is the income sourced from Vietnam from business activities including capital transfer.

Currently, Vietnam is taxing indirect capital transfer transactions on the principle that incomes sourced from Vietnam are subject to tax in Vietnam.

With such principle, in many cases where (i) the transfer of capital is for the purpose of transferring the company in overseas (and the Vietnamese company is indirectly owned by the transferred company and accounts for a relatively small portion in the entire transaction), or (ii) the transfer of capital solely for the purpose of corporate restructuring, or (iii) the transactions of buying and selling shares of the parent company in overseas are conducted via a foreign stock exchange, all are considered as a capital transfer transactions which are subject to tax declaration and payment in Vietnam.

From 2016 up to now, the General Department of Taxation has issued a number of official letters providing guidance on "indirect capital transfer" (i.e. transfer of capital in the parent company of a company in Vietnam), for example Official Letter No. 766/ TCT-DNL dated 29 February 2019, Official Letter No. 866/TCT-CS dated 2 March 2020, Official Letter 4950/TCT-TTKT dated 19 November 2020, which confirm that indirect transfer of capital are subject to CIT in Vietnam.

However, pursuant to the current stipulations in the Decree 12/2015/ND-CP and in the above-mentioned guiding official letters, the method of determining taxable income or tax calculation method applied to foreign enterprises having indirect capital transfer activities are not specifically mentioned, leading to difficulties in practice for the enterprises to properly determine the tax obligations as well as to declare and pay taxes.

In light of the above, we recommend that consideration should be given in the new Law on CIT so that "Clause 2, Article 3. Taxable income" would be supplemented or amended to provide more specific provisions for cases subject to indirect capital transfer as well as additionally supplementing guidelines for exclusions.

E. Tourism and Hospitality

1. Visa exemption and extension

Vietnam Hotels heavily rely on the mass Chinese and Ukraine markets for charter tourism for the inbound market. We have not seen any policies for this group, which is a massive financial loss to the hotel industry.

On the other hand, Australia, New Zealand, and many other European countries are Vietnam's main targets for tourism as tourists from those countries often spend 100 to 150 USD/ day. However, they are not on the list of the visa exemption policy. We would like to recommend:

- Vietnam extend the visa exemption to all European countries and have a clear roadmap to implement this procedure.
- Australia & New Zealand be included in the visa exemption policy. The best would be 14 days to start or up to 21 max Visa-Free Travel, or at least Visa on Arrival for a pre-determined fee not more than 20 USD per person.

Tourists' travel behaviour has changed: due to Covid-19, now they travel less frequently but spend time longer at a destination. Thus, the usual exemption duration shall not be enough to promote Vietnam tourism to recover.

We recommend that Vietnam extend the visa exemption to 30 days to follow up with tourist behaviour changes.

2. Promoting Vietnam's tourism visibility is the key to ensuring tourism recovery

We recommend that Vietnam establish a Vietnam Tourism Board to undertake the marketing and promotion of Vietnam as a tourism destination. The Board shall ensure that tourism remains an important economic pillar through forging partnerships, updating the tourism regulatory framework and providing support and incentives to foreign stakeholders. We also suggest that there are overseas offices of the Vietnam Tourism Board in Vietnam's main markets that act as an information hub to communicate and support relevant stakeholders in such countries.

3. Improvement of entry checkpoint at airports

Tourists, both economy and business class, have to queue for hours for departure and arrival. The lack of a business class line, no option to purchase fast-track service and the reluctant attitude of officers in processing urgent cases also worsen the situation. We are concerned that such congestion may degrade the tourism experience and/or have negative repercussions for the entire tourism business ecosystem.

We strongly recommend that the Ho Chi Minh People's Committee and the Ho Chi Minh Department of Tourism soon find solutions to tackle these problems to ensure that Vietnam stays as top destination for tourism. We suggest resuming the fast-track lane and establishing specific lanes for residents and residence card holders to fasten the process.

F. Transportation and Logistics

1. Dredging

The current process to obtain licenses to carry out regular dredging for terminals is time-consuming. This process should be simplified by giving dredging clearance for a 10-year period rather than only on a case-by-case basis.

A second major barrier to the logistics sector's development is the lack of availability of warehousing/logistics land to allow the development of quality distribution/logistics centres, especially surrounding HCMC and Hanoi. Vietnamese consumers are demanding higher quality, more variety, and quicker delivery.

In our view, the Government's supervision role is emphasised not only to ensure the effective allocation of resources, but also to ensure the safety and environmental sustainability of these constructions. This would also contribute to the trust of business and society, as well as elevate the image of Vietnam for further investment.

We would like to recommend to

- Strengthen the supervision and facilitation role of the Government to ensure the effective allocation of resources, as well as the safety and the environmental sustainability of these constructions while creating transparency and fair competition in the logistics sector.
- Implement the suggestions set out before with regard to warehousing zones, land prices, and industrial park owners vs service providers.
- Issue implementation documents of Decision 1012.
- Simplify the dredging procedure for terminals and allow for a 10- year dredging approval license rather than case- by- case approvals.

2. There are several kinds of preferential tariffs and the procedure applicable to each varies

In practice, importers may not be very well prepared for applying different tariffs corresponding to each imported good. As such, and unintentional mistakes may happen during goods clearance. In some cases, changes to the imported goods also leads to a different tariff being applied.

We would like to recommend:

- Provide a more widely-defined coverage of software containers or activation for easier classification and customs value declaration for the customs value of software.
- Apply the corresponding methodology of customs valuation.

- Design a correct basis on which the customs authorities may raise doubts about and reject a declared value.
- Provide the list of necessary documents that should be provided in cases where customs declarants submit documents proving that the special relationship does not affect the price.

3. Customs Valuation

Vietnam is a member of the WTO and has signed the WTO Trade Facilitation Agreement (TFA). This contains several measures which could help authorities and companies facing customs valuation issues at import in Vietnam.

Article 3 of the TFA states that each WTO Member shall issue an advance ruling in a reasonable, time-bound manner to the applicant that has submitted a written request containing all necessary information.

Vietnamese regulations include a sort of customs valuation advance ruling mechanism in Decree 08. This states that customs authorities may deliver a binding ruling that would secure the imports made by the ruling application in the future. However, the scope of application of this mechanism remains limited to certain cases where goods are imported for the first time in Vietnam or whose price is affected by a substantial or unexpected change. In practice,, currently no general customs valuation advance ruling mechanism has been implemented in Vietnam, which could help businesses secure the import of goods for which legal issues arise (determination of the relevant valuation methodology, duty liability of assists, and price adjustments).

We would like to recommend:

- Implement the policy linked to customs procedures of ports to ease the transfer of goods from one port to another (both within as well as in a second phase across customs zones) in case of operational requirements by the terminal or the carrier's vessel.
- Implement a general customs valuation advance ruling mechanism.

4. Price Consultation

During those price consultations, Customs will typically refer to their own databases of values. These which are then used to challenge the veracity of the values declared by the importer. Importers are frequently requested to provide explanations for the gap between Customs' reference prices and those declared. If the importers cannot do so explain, then declared values are being uplifted to match those of the Customs' database. This is values – despite Customs assurances that the databases values are only a reference point.

When importers, during the price consultation, requested Customs to provide the supporting rationale behind reference prices this was refused.

In our view, the refusal to provide the importers with the rationale behind the used Customs' reference prices, undermines the principle of "consultation",; creates unnecessary disputes, and results in a lack of trust in the objectivity of the price- consultation process.

Since the introduction of Decision 1304 on the scheme 'one-time price consultation for multiple uses', few importers have applied for the scheme, and only a small percentage of applicants have received an approval.

We would like to recommend:

- Let Customs officers, who conduct price consultations, hold the supporting rationale behind the values on the database, and authorise them to disclose that information to importers enabling a more transparent and effective price consultation process.
- Conduct more promotion activities to encourage companies to apply for the ‘one-time price consultation for multiple uses’ scheme, including detailed guidance of execution.
- Ensure that the price consultation process will be valid for a 12-month period, provided that declared values in this 12-month period do not move outside an acceptable threshold (e.g. +/- 5 per cent), then no further price consultation should be required.

II. Sustainable Development

A. Electricity and Energy

1. Clear roadmap for offshore wind

The current draft PDP8 targets 7GW of offshore wind to be constructed by 2030 and it will take between 6-8 years to develop an offshore wind project once an investor is selected; however, many essential regulations to support the target have not yet been developed. Global lessons have shown that a stable offshore wind industry allowing governmental, suppliers and developers to learn in new markets, is best developed by instigating pilot projects.

Marine spatial planning and environmental regulations for offshore wind need to be developed to allow favourable conditions for seabed leasing, however these can take time, therefore a hybrid approach should be considered to allow the first offshore wind projects to be initiated to meet 2030 PDP8 targets.

Commercial FiT/alternative policy framework for OFW needs to be developed. Despite its crucial role in kickstarting the offshore wind industry, as demonstrated by substantial experience, no offshore wind project in Vietnam has received investment incentives from the FiT mechanism.

The Power Purchase Agreement mechanisms historically in place in Vietnam are not fit for purpose in relation to offshore wind, as they are not functional in relation to curtailment, termination, and arbitration risks amongst others. To ensure investors can make financial close and project financing this needs to be addressed.

We would like to recommend

- The government, MONRE and MOIT to release supportive frameworks for speeding up the Offshore Wind development target in VN under several drafts of Power Development Plan No. 8 (PDP8).
- The government should seek to instigate the first 2-3GW of the 2030 7GW target as pilot projects (or between 500MW-1GW) to provide a stable start for the offshore wind industry and appropriate legal processes to be implemented.
- The Marine Spatial Planning (MSP) needs to emphasize the possibility for co-existence of offshore wind and oil&gas projects, as well as fisheries, tourism, and transportation industries. The MSP needs to be expeditiously finalized and approved to serve as an overarching framework for efficient planning and execution of marine-related activities.
- FiT with a capacity cap (approximately the first 5GW-7GW), instead of a time-based structure, is an important policy mechanism to balance between kickstarting the industry and ensuring affordability.

- We recommend that the Vietnamese Government expeditiously finalizes regulations for offshore survey consenting, as well as reviewing and approving developers' applications for offshore survey licenses to meet the goal of 7GW of offshore wind by 2030.
- We recommend a full revision of the PPA to consider the different requirements of the high-capital intensive offshore wind industry to manage the issues that will likely prevent the high level of project financing requirements.

2. Power Price

Decision 21 of the MOIT in 2023 ceiling tariff levels represent a 20%-25% reduction from the previous FiT levels (for wind, based on current FX rates) and almost 40% reduction for ground mounted solar.

Transition projects that are already built may have no choice but to accept these tariffs or face bankruptcy (the only alternative for them is zero revenue). Transition wind projects not already built will not be able to raise finance at these tariff rates, as they are now facing world market turbine pricing more than 30% higher than at the time of previous FiT expiry, as well as higher loan interest and insurance rates.

We note that the tariffs are similar to those proposed by EVN late last year (in OL 6570). That document assumes that the offshore loan rate to be 4.62% p.a., which we understand to be the all-in (base + margin) USD senior debt rate. This rate is very low compared to levels seen in the market, especially given:

- (i) The current rate environment (US Treasuries 10-year Swap Rate of 3.7% and USD margin often seen at [c. 3% - 3.5%] p.a.), and
- (ii) the fact that USD loans funding projects in Vietnam often require guarantees or standby LCs with Guarantee Fee of ca. [2% - 2.5%] per annum. This fee shall be factored into the all-in rate as well.

Therefore, an estimated all in-rate of [8.7% - 9.7%] is required vs. EVN's offshore loan rate assumption of 4.62%. It is not reasonable to take the lowest value and make it the ceiling price. These ceiling prices set a negative precedence for upcoming renewable power projects and create a big challenge for VN on its journey to reach net zero by 2050. Price appraisal for future projects (not transition) should take into account existing macroeconomic conditions (higher capex, higher interest rates, supply chain bottlenecks) which many of the transition projects that are already built did not fully face.

MOIT should consult with independent experts to verify the assumptions and methodologies taken, before finalizing the price brackets.

3. No clear guidelines from DONRE and MONRE for RTS projects

Currently, production sites using land at their location according to regulation, and because of sustainable development, they are trying to utilise roof area to install solar PVs which the purpose for self-consuming. However, there is no clear guidelines from DONRE and MONR for this activity. Local authorities should consider and have clear guidelines for RTS projects which only supply renewable electricity for their production sites and have zero export to the grid.

B. Green Growth

1. Mandatory Recycle Content

The current EPR law is making a recycling rate mandatory. This will lead to recycled material flooding the market without downstream buyers. We would like to recommend the EPR law to also make a mandatory recycled content rate in the product introduced into the Vietnamese market.

2. Clear list of criteria for recycler

The recyclers need to be registered in order to be authorized to act as recyclers for packaging manufacturers/importers. Today many recyclers don't have, for example, the proper wastewater treatment. We would like to recommend publishing a clear list of criteria (including environmental criteria) considering international standards that the recyclers must fulfil in order to be registered as a recycler.

There are many systems to track the waste (composition, dirtiness, properties, source etc.) which are backed by a certification system. There is currently no bridge announced to the current certifications schemes available around the globe.

We would like to recommend building a mutual recognition scheme between the international certification schemes and the data reporting about the waste collection and the recycling inputs/outputs.

3. Green Building

To promote the development of green buildings in Vietnam, it is necessary to quickly complete and/or update the legal framework and raise awareness of relevant stakeholders, mainly Government Agencies, as the current legal system in Vietnam is almost devoid of incentives for developers.

Vietnam's critical roadblocks to green building adoption include the lack of adequate support in policies, green building specialists, and higher initial investment. As per Vietnam Green Building Council (VGBC), misinformation is one reason for Vietnam's previously delayed adoption of green buildings, with the perception of a 25 per cent premium for constructing a green equivalent.

We would like to recommend:

- Integrate "Green Building" wording in subsidiary and ancillary construction laws.
- Enforce and promote the application of sustainable building materials solutions through the VABM.
- Make minimal certification a precondition for the licensing of certain types of buildings regardless of their use and incentivise higher levels of certification.
- Prepare a clear urban planning showcase, including green buildings and water, waste, traffic, and environmental livelihood improvement solutions.

C. HR & Training

I. Implementation of New Requirements Regarding Visa and Work Permit

During the Covid period (from April 2020 until 15 March 2022), work permit and visa application faced various difficulties. However, since the beginning of the outbreak of the pandemic, the Government had a variety of "breakthrough" policies in COVID-19 prevention and control which facilitated the seamlessness of operation of enterprises even in the high disease-spreading situation. In terms of the foreign employees' working in Vietnam amid such difficult time, the Government also showed their appropriate consideration to support enterprises by issuing Resolution No. 105

which presents adjusted and relaxed regulations compared to those in Decree No. 152/2020/ND-CP, with an aim to enable the work permit application process to be more streamlined.

In this new-normal stage, although COVID-19 prevention and control measures (causing burdens to enterprises such as entry approval, quarantine and COVID-19 test upon entry, etc.) have been removed, and the processes for visa and work permit accordingly were expected to be auspicious and smoother, the reality is indeed opposite. It seems that the practice of application for visa and work permit of foreign employees is more tightened and is facing more obstacles than the pre-COVID period, especially when the relaxed regulations under Resolution No. 105/NQ-CP are no longer effective on 31 December 2022. To be specific:

1. In terms of visa:

- **Person submitting the application must be the sponsoring party's employee**
 - The Immigration Department no longer permits third party vendors to handle the in-person visa filings on behalf of the sponsoring entity even if proper POA is ensured. This has meant that enterprises have to find regular customer-facing and professional manpower from each of their entities in Vietnam to spend long hours per day to queue and file, as well as to liaise and ask for status updates with the Immigration Department. This would result in the situation that newly-established companies having no local employee in Vietnam could not apply for work visa for their foreigners (most likely legal representatives of the local company or authorized representatives of the investors) coming to Vietnam after the establishment.
 - On a related note, the Immigration Department currently requires and rigorously checks the eligibility of person who submits the applications. Notably, the person who submits the applications is required to present the Vietnam Social Insurance (VssID) application on a mobile phone, which shows that he/she has participated in social insurance at the sponsoring company to prove their eligibility on employment status. Thus, other subjects such as authorized persons who are not employees of the company, individuals who have not registered to use VssID, or even those who are company's employees and have registered on VssID - but due to an error from the VssID application that they have not been shown as participating in social insurance at the sponsoring company, etc. are not allowed to submit the application.
- **Granted term of business visa is short**

Most immigration departments in Vietnam now only issue business visas for up to 30 days. Accordingly, upon the expiry of the 30-day period, foreigners will need to leave the country if their work permit isn't in place yet. This practice is cost / time-consuming for enterprises, which further impacts the company's operation daily when essential staff has to be away.
- **The review of the visa application is complicated**

The Immigration Department, in fact, requires more documents/steps than those specified in the law (e.g., tax reports of the sponsoring companies, or meeting with the sponsoring's' legal representatives for enquiries), making it difficult for the sponsoring companies and the applicant when preparing the application dossier. It is already very difficult and takes a lot of time to get the ordinal number, queue to submit the applications at the Immigration Department, so in the case of incomplete dossier as determined by the Immigration Department, the applicants are required to start the process of application submission again. This poses a huge obstacle in terms of timing for preparation.

Furthermore, the authorities require an employee of the Vietnam office to sign immigration documents. This is not a suitable approach to multi-national companies with proper signatories to the documents are residing in a foreign country.

- **Lengthy process**

The end-to-end process in Vietnam is longer than average. There are multiple steps (legalization, applications for entry visa, work permit and finally temporary residence card) before an employee is considered ready to work, and this does not allow room for businesses to deploy manpower in Vietnam on an urgent need basis. It disrupts operations and makes it challenging to consider Vietnam as a location for expansion simply because of the uncertainties surrounding immigration policies and processes.

- **Visa on arrival is now strictly controlled and deemed appropriate for very specific cases only**

Before and during the COVID-19 crisis, Vietnam immigration authorities allowed “visa on arrival” for a number of other cases as it was difficult to obtain a visa at Vietnamese embassies overseas. However, recently, it has been observed that visa issuance at border checkpoint (visa on arrival) is strictly controlled and granted only for specific cases. This causes problems for foreign employees as it is not always convenient or possible for them to visit the Vietnamese Embassy or Consulate in any given country before arrival, especially in cases where the Embassy / Consulate is located far away.

We would like to recommend that:

- The immigration offices to grant longer business visas and allow at least one-time business visa extensions in the event the work permit is being finalized. The longer visa term is necessary especially where the work permit application process has been tightening and prolonging.
- We are seeking to re-instate the ability for third party vendors to handle visa filings and liaise with the Immigration Department on applications, and also for the immigration authority to streamline the filing procedures.
- Improve the submission procedures at the Immigration Department to save time and effort for applicants (increase the number of officers handling or registering to receive ordinal numbers, booking online in advance).
- Allow the conversion of visa in specific cases without having to leave the country.
- Remove requirements beyond the requirements of current law.
- Digitalize procedure for visa application to settle the overload at the one-door.

2. In terms of work permit:

Recently, some local DOLISAs (such as Hanoi and HCMC DOLISA) presented certain new changes relating to the pre-approval step for the application for work permit of foreign employees, specifically:

- **Foreign labour demand report: changing the explanation forms**

Previously, Form No. 01/PLI (explanation on demand of using foreign workers) was used for most of the cases, whereas Form No. 02/PLI (explanation on changes in demand of using foreign workers) was used in case there were any changes with the initial plan. However, from October 2022, Form No. 01/PLI is only accepted for enterprises who have not used any foreign workers so far, and Form No. 02/PLI will be used when enterprises have a new demand. This change is not consistent with the wordings of Decree 152/2020/ND-CP.

- **Foreign labour demand report: imposing additional requirements (specifically in HCMC DOLISA)**

Upon pre-approval process of employing foreign employers, instead of “determining the demand for foreign workers for every job position for which Vietnamese workers are

underqualified”, enterprises have to endeavour that they have failed to recruit Vietnamese workers for the job position before submitting the request for using foreign workers by providing (i) recruitment plan, (ii) public recruitment post and (iii) succession planning to future-proof the Vietnamese workers to replace the foreign workers.

We highly appreciated the cooperation of the Ho Chi Minh DOLISA with EuroCham to solve the difficulties in work permit procedures in our several meetings in Ho Chi Minh City. Accordingly, the HCMC DOLISA no longer requires the submission of the three additional documents mentioned above attached with the foreign labour demand report. However, some difficulties remain under Decree No. 152/2020/ND-CP, for example, in international schools, while some Vietnamese teachers may have suitable skill sets, it is extremely unlikely and untenable that international schools would be able to convert teaching positions for an international curriculum to local hires. Thus, international schools should be able to retain foreign professional educators for as long as the school's curriculum warrants.

We would like to recommend that:

- Return to the previous practice of using Form No. 01/PLI in order to avoid enumerating unnecessary information, or reduce the practically abundant information which is currently required in Form No. 02/PLI.
- Provide more specific and clear instructions for the pre-approval process, considering interests of foreign chambers, to avoid repeated submission and supplementation of application, which result in additional time, costs and resources involved for enterprises.
- A constructive interpretation of laws to give flexibility in required documents to be submitted.

II. Employee representative organisation and union fees

1. Lack of guiding decree on employee representative organization

The current Labour Code (Labour Code 2019) for the first time recognizes the existence of employees' organizations at enterprises. Specifically, Article 3.3 of the Labour Code 2019 now defines that “grassroots employee representative organization” comprises “grassroots trade union” and “employees’ organization”, which have equal rights and responsibilities in representing for and protecting lawful and legitimate rights and benefits of employees.

Articles 172.4 and 174.2 of the Labour Code 2019 assign the Government to provide detailed guidance for several issues regarding employees' organisation. In addition, pursuant to Decision No. 673/QĐ-TTg dated 7 May 2021, a decree on this issue should have been issued during 2020 – 2021. However, to date, the decree guiding the Labour Code 2019 on employee representative organizations has not been released, thus, no employees' organizations at enterprise has been established in practice.

2. Regarding the issue on trade union fees under the application laws

According to Resolution No. 549/NQ-UBTVQH14 of the Standing Committee of National Assembly dated 31 July 2018, Law on Amendment and Supplementation to Some Articles of the Law on Trade Union ("**Amended Law on Trade Union**") was expected to be submitted to the National Assembly for adoption in 2018-2019. Then Resolution No. 106/2020/QH14 of the National Assembly dated 10 June 2020, the Amended Law on Trade Union was supplemented in the plan for the National Assembly to give opinion in Session 10th of the 14th National Assembly (Nov 2020). However, the Standing Committee of the National Assembly then issued Resolution No. 1033/2020/UBTVQH14 removing such Law from the agenda.

Up to this date, the Amended Law on Trade Union has not been issued and therefore certain regulations which are no longer in accordance with the currently applicable labour laws are still effective.

It seems that the draft Amended Law on Trade Union is still under the revision for future submission to the National Assembly. Specifically, on the afternoon of 30 November 2022, at the 31st Conference of the Presidium of the Vietnam General Confederation of Labour (“VGCL”) (term XII), Vice Chairman Ngo Duy Hieu presented a dossier to propose the formulation of the Amended Law on Trade Union. As planned, the dossier of amendments and supplements to the Trade Union Law 2012 will be submitted to the National Assembly for approval at the National Assembly’s 8th meeting session of the XV term (expected 10 October 2024). It is suggested that the VGCL and the Government organize and collect public opinion on the draft Amended Law on Trade Union for more suitable approaches, especially regarding the remodelling of the union fee, since under the new Labour Code 2019, trade union is no longer the only employee representative organization.

Previously, under the old Labour Code, at an enterprise, the grassroots or the immediate upper-level trade union represents all employees – even non-member ones - in all employment issues (e.g., representing non-union members in labour disciplines). Nevertheless, the new Labour Code 2019 has changed the concept of “employee representative organization”, which now consists of “trade union” and a newly added type - “employees’ organization”.

Pursuant to regulations under the Labour Code 2019, employees in an enterprise can now be divided in three groups: (i) employees being members of trade union; (ii) employees being members of the new type of employee representative organization – “employees’ organization”; and (iii) non-association employee (employees not joining either trade union or employees’ organization). Accordingly, trade union now only represents its members in the group (i).

However, under the current Law on Trade Union which is still applicable, enterprises are obliged to contribute trade union fees equal to 2% of their total payroll which is used to determine their compulsory social insurance premiums, regardless of having trade union or not (not to mention that this payroll also include foreign employees who are not allowed to be members of a trade union). Assuming that there is an employees’ organization at the enterprise, the trade union fee will still be collected and managed by only the trade union. Such regulation of the current Law on Trade Union is not in line with the spirit the Labor Code 2019 which provides the equal treatment between the trade union and employees' organisation. Therefore, a revision to the current Law on Trade Union for compliance with the labor laws is indeed very crucial.

We would recommend:

- **Regarding the regulations on employee representative organization**

The Government/MOLISA should issue this decree as soon as possible to pay the way for establishment and operation of employees' organisations and to prove Vietnam's efforts in realizing its commitments under EVFTA on this issue.

- **Regarding the issue on trade union fees under the application laws**

The Amended Law on Trade Union should be released soon to harmonize several issues with the Labour Code 2019.

Specifically:

- The Amended Law on Trade Union should change union fees to a new name: e.g., employee association support.
- The Amended Law on Trade Union and relevant regulations should reduce the employee association support to a lower level. To be specific, the trade union fee is currently 2% of the total payroll used for determination of compulsory social insurance

premiums. Nonetheless, practically, it should be reduced to 0.5 or 1% only, since it reflects real needs of the employees for activities in addition to other activities organized by the employers.

- In terms of union fees, or the suggested “employee association support”, the Amended Law on Trade Union and relevant regulations should provide regulations in the direction that: the monthly trade union fees borne by employers should not be contributed to the upper-level trade union agency, but directly and entirely to the employees' representative organizations at a grassroots level, including both *"employees' organization(s)"* and *"trade unions"*, and be divided between each organization based on the ratio of member employees they represent. The employees' representative organisations at grassroots level should have the right to use the entire trade union fees contributed by employers and union membership fees contributed by their member employees. For example, in an enterprise with 50% employees being member of trade union, and the other 50% employees being member of an employees' organization, the employee association support will be contributed equally to each association, which is 50% per organization.

III. Air quality index (“AQI”)

While safety, security and availability of quality international education are all factors that make Vietnam “family-friendly”, poor air quality is eroding Vietnam as a healthy destination for international diplomatic and expatriate families. Poor AQI thus threatens to undermine the entire international education sector, because if diplomats, investors and professionals choose not to relocate their families to Vietnam due to poor air quality, international schools will lose their international student base, and, in turn, Vietnamese students will suffer as fewer and fewer international school seats become available, and international schools themselves become untenable businesses for investors.

We recommend to ensure the continued availability of quality education in Vietnam, we implore the Government to address the AQI issue.

D. Woman in Business

1. Increased paternity leave

We note that presently, men are entitled to only 5 to 14 working days as paternity leave upon the birth of their children. We encourage the government to amend the Labor Code and Social Insurance Law to provide men with more paternity leave. We note that the government is in the process of amending the Social Insurance Law, so now is a great time to amend men’s access to paternity leave.

Studies have shown that providing men with increased paternity leave has a direct effect on the gender wage pay gap, and dramatically reduces it. At the recruitment stage, employers would realize that male candidates may also take a long leave at the time their children are born, so female candidates would be less disadvantaged in that respect. Fathers will also form a stronger bond with their children through the increased paternity leave, so going forward, they would more equally share household responsibilities with their wives. Additionally, this stronger bond between fathers and their children will result in happier children and happier families.

We recommend increasing paternity leave incrementally, so that men would now be entitled to one month’s leave minimum under the new Social Insurance Law.

2. Gendered recruitment

We also encourage the Government to condemn and prohibit gendered recruitment and to instruct the Department of Labor, Invalids and Social Affairs to actively enforce existing prohibitions in the Labor Code 2019 against this practice. We note that a strong legal framework is already in place to prohibit gendered recruitment, however, it seems that it is not implemented.

We encourage more active enforcement from the government.

3. Income tax incentives for female-friendly employers

Emphasis should be placed on rewarding companies which implement training and policies in promoting and placing women in top management positions, rather than basing the incentive on the numbers of women employed. Instead, the tax incentives should be based on the percentage of women in leadership positions at the enterprises.

We request the Government to change its corporate income tax incentives for female-friendly employers and this policy should apply to all industries in Vietnam, the tax incentives should be based on the percentage of women in leadership positions at the enterprises.

III. Consumer Choice

A. FAABS

1. Adapting the legal framework to address innovative and new raw materials for feed production in the light of the current market situation and to increase sustainability

Currently, feed registration is based on the minimum level of crude proteins in diets, which does not always indicate the actual quality of the feed. As recent research shows, the focus on digestible proteins and the amino acid composition of the protein is more important for feed performance than the actual total amount of crude protein. Reducing the minimum limits of crude protein in livestock and aquaculture diets would allow cost savings for the industry; ensure environmental sustainability; and healthier animals

We would like to recommend to ensure more up-to-date animal feed registration requirements and labelling requirements; minimum level for diet registration should be reduced; Clearly indicate and monitor the actual gain in terms of more efficient usage of feed and its positive impact on increasing the sustainability of the agriculture and aquaculture sector.

2. Implement a one-health approach and perspective on aquaculture and livestock production in order to ensure prudent usage of antibiotics and pesticides

The impact of COVID-19 is a reminder of the One-Health approach (across human health, animal health, and environmental sectors) to ensure healthy products for end consumers. Numerous countries and several international agencies have included a holistic and inclusive One Health approach within action plans to address antimicrobial resistance, which aims to recommend farmers stop using antimicrobials for animals. This allows antimicrobials to be used for human medicine instead.

We would like to recommend to better implementation of regulations and inspections of antimicrobial product labelling. Limit the access to antimicrobials of critical importance for human health.

3. Continued focus on the implementation of the EVFTA and how to benefit

Being a new generation FTA, in force since 1 August 2020, the EVFTA begins a new era of EU-Vietnam trade through a gradual elimination of tariffs and a mutual opening of markets. In agriculture, the EU cut 94 per cent of the total 547 tax lines for fresh and processed vegetables and fruits to 0 per cent, including many vegetables and fruits, which are produced in Vietnam. In addition, the EVFTA also removes trade barriers for Vietnam and assists the country in meeting international standards in its legal framework, environmental regulations, and investment climate.

Working together to make sure Vietnamese and European enterprises working in Vietnam improve production conditions and regulation adjustments from the Vietnamese government. Vietnamese enterprises should improve their products, streamline their processes, and become more attractive in global markets.

The government should work on clear rules for both locally consumed and exported products. It is not recommended to have “two systems” in place for local and for export markets; Traceability of food, agriculture and aquaculture products is a key aspect. Relying on private certification schemes and non-governmental organizations is not sufficient and there needs to be a dialogue to ensure traceability also between governments and industry.

B. Automotive

1. Law on Environment Protection (LEP) 2020

Background

Aiming at environmental protection, the Law imposes the obligation on businesses that make or import the products or packaging with “recycle value” to recycle them in accordance with the “required proportion and methods”. They can either recycle the discarded product or to make finance contribution (*) for that instead.

Products	Effectiveness	Mandatory rate (%)	Recycling method
Battery (electrical systems)	01.01.2024	12%	For parts/oil and lubricant: Reuse ingredients after intermediate treatment such as dismantling, compressing, breaking/Recycle after grading each material For automobile: To collect discarded products, re-use parts qualified producers' standard, other parts are recycled after grading each material as above mentioned.
Battery (lithium, chargeable battery)	01.01.2024	8%	
Oil and lubricant	01.01.2024	15%	
Tires	01.01.2024	5%	
Air conditioner	01.01.2025	5%	
TV, screen	01.01.2025	9%	
Lamp	01.01.2025	8%	
Automobile	01.01.2027	0.5%	

We strongly support the Government with the direction to protect the environment and **are willing to recycle all the related discarded products** that we can receive from the end-users. However, the **challenge stems from the fact that there is currently no legal enforcement (**)** for car owners to discard their vehicles to official/defined point of discarded products collection while the Decree regulates a mandatory collection/recycle rate of 0.5% of the sales volume of the previous year as of 01.01.2027.

We recommend the government to study and soon issue strong legal framework for vehicle discarding as automobile recycling obligation will be hardly fulfilled without it.

(*) Financial contribution: $F = R \times V \times F_s$

F: Amount to be paid (VND)

R: Mandatory recycling rate based on sales volume of the year before (%)

V: Sales volume (kg)

F_s: Recycling cost per kg (VND/kg)

(**) Disposal regulation to be issued before 01.01.2025.

2. Road map for applying EURO 4 for two-wheel-vehicles

At COP26, Prime Minister committed Vietnam to achieve net zero emission by 2050. Accordingly, related Ministries build up action plans towards target in which lots of policies aim to archive the above commitment. One of action that can help to reduce CO₂ is the applying of higher level for fuel standards such as applying EU4 for motorcycles. This plan has not been carried out from 2020 but until now, EURO 4 still cannot be applied due to following issues:

- Not clear authorized Ministry will be main monitor/in charge of this task.
- A clear road map for implementation has not been issued.
- Not finalizing the technical regulations such as QCVN for testing and applying EU4.

We recommend government to speed up the applying EU4 and in future applying any other higher fuel standards such as EURO5 to EURO 10 or any other bio fuel which help to reduce sharply gas emission.

Regarding the speeding up of applying EURO 4, government may consider to:

+ Clearly empower Ministry to be main in charge of or monitor this task (either MORNE or MOT or both of these two Ministries but clear authorization and task);

+ Issue a clear road map which include the timeline for

(i) issuing QCVN for testing and applying EURO 4 and

(ii) applying requirement EURO 4 for 2- wheel vehicles. In which:

- 2 years from the issuance of QCVN: applying for new 2 wheel-vehicles.
- 4 years from the issuance of QCVN: applying for in-operation 2 wheel -vehicles

C. Nutrition and Milk Formula Products

1. We would like to comment on the Draft Revised Law on Special Consumption Tax in terms of “sugared drinks” and “non-alcoholic Beverage”

There are 7 inadequacies in the Draft related to "Sugared drinks":

1. The term “Sugared drinks” is a very broad and ambiguous concept, which can be understood as all sugary and drinkable products, not only overlapping the group of “non-alcoholic beverages” in the Draft, but also includes nutritional products that are beneficial to health: milk and nutritional products for children (including infant milk, school milk), medical nutrition for patients, nutrition for special subjects such as the elderly/pregnant women, health-protective foods... are essential for people's lives and are used daily in every family. If the special consumption tax is imposed, the price of these healthy nutritional products will increase, restricting people's consumption, leading to health deterioration such as stunting in children, malnutrition in children and the elderly, slow recovery, patient mortality increase..., which goes against the objective of the tax that is to limit products harmful to health.

2. Scientifically incorrect:

The 4 materials that the Impact Report and the Ministry of Health cited as the basis for the Impact Assessment Report researched on "**Sugar-sweetened beverages**", not "**Sugared drink**" as in the **Draft Law**, specifically stated to include carbonated and non-carbonated soft beverages, juices and teas, sports-energy drinks, with added sugar (not counting the natural sugars available in the product).

3. The imposition of special consumption tax on the above essential and healthy nutritional products is inconsistent with Resolution 20-NQ/TW dated October 25, 2017 of the Party Central Committee on enhancement of citizen's health protection, improvement and care, accordingly directed "*to increase special consumption tax on goods harmful to health such as alcoholic beverages, carbonated drinks, tobacco to limit consumption*" and "*The Party committees and authorities at all levels focus on leading and directing the protection, care and improvement of citizen's health, considering this as one of the most important political tasks.*" This proposal also inconsistent with the **National Strategy on Nutrition for the 2021-2030 period with a vision to 2045** – Point b, Section 2, Clause III - Tasks and primary solutions: "Encouraging social organizations and business communities engaged in... *manufacturing healthful products*"

4. The June 2018 report of the Independent High-level Commission of the World Health Organization (WHO) on Non-Communicable Diseases (including obesity), only recommends to tax alcohol, tobacco, improving reasonable diet and increasing exercise , while there is no recommendation to tax sugared products.

5. The Impact Assessment Report states that it is «consistent with international practices" is incorrect: The report states that out of 193 countries in the world, there are nearly 50 countries, or about a quarter of the world's countries, impose tax on sugar sweetened beverage.

With three-quarters of countries not taxing, and the remaining quarter taxing mainly on soft beverages (i.e. excluding nutritional products), it is clear that taxing even sugared drinks is not in line with international practices.

There are also no statistics showing that this tax in a quarter of the world's countries is effective in reducing obesity. Denmark had to withdraw this tax in 2013 due to the negative economic impact with no health benefits after 83 years of implementation.

6. Inadequate classification by HS codes, causing difficulties for implementation: According to the HS code table, the Beverages group only belongs to chapter 22, so the Draft Law introduces the word «Sugared drinks» without an exact definition and clear HS code is very misleading and very difficult to implement.

7. Expansion of special consumption tax on essential consumer goods such as nutritional products is not only inconsistent with the Government's policy of taking care of citizen's health, but also incompatible with the current economic situation: consumers and businesses are suffering a lot of difficulties due to the post-pandemic impacts of the Covid pandemic and the Russian-Ukrainian war, causing supply chain disruptions and high inflation, unemployed workers, decrease in income. At the same time, the increase in taxes on essential consumer goods will increase the prices of these items, making people's and businesses' lives more difficult.

We would like to recommend:

- Remove "*Sugared drinks*" from the Draft to avoid overlap and confusion. Replace the word "*non-alcoholic beverage*" with the word "*sugar sweetened beverage*" (with the note: beverage is defined in the National Standard TCVN 12818: 2019). It is necessary to include the HS code (Chapter 22 with 6 group/subheading numbers) when promulgating the Law to facilitate enforcement.

- Reason: The National Standard TCVN 12818: 2019 has a clear definition of soft beverages, stating that they do not contain alcohol; and the products specified in this standard are fully consistent with the products in the scientific studies cited in the Impact Report.
- Not use the word "sugared drinks" in documents because there is no definition in the Vietnamese legal system, which is unclear, and does not match with the words used in scientific studies. When citing studies on Sugar-sweetened beverages for policy making, it should be translated correctly as "*sugar-sweetened beverages*" with the names of specific product groups (carbonated and non-carbonated beverages/juices and tea/sports-energy drinks, with added sugar) to avoid confusion. Only impose special consumption tax on products that have been proven by scientific evidence to be harmful to health in order to be in line with the tax's objectives.
- No special consumption tax on healthy nutritional products such as milk and milk products (with main ingredients from milk), nutritional products for children up to 36 months old, medical nutrition products, special dietary foods (for the elderly, pregnant women), healthy foods, liquid medicines, to be internationally compliant and not harmful to citizen's health. The Vietnam Food Administration has issued Official Letter 3946/ATTP-KHTC to the Ministry of Finance on December 6, 2019 stating this point of view.
- Food-related policies should ensure consistency within the current system of policies and strategies, including restricting only products that are harmful to health as outlined in **Resolution 20-NQ/TW** dated October 25, 2017 of the Party Central Committee on enhancement of citizen's health protection, improvement and care, and *encouraging the production of nutritional products*, as outlined in the **National Strategy on nutrition for the 2021-2030 period with a vision to 2045**.

These policies need to be built based on specific and profound scientific evidence, in accordance with the product group that scientific research has shown, not arbitrarily expanded.

D. Wines and Spirits

1. Stable policy

Over the past two years, the COVID-19 pandemic has inflicted immense negative impacts on the alcoholic beverage industry and its business operations via severe supply chain disruptions, suspension of hospitality, tourism, and entertainment activities, as well as necessary pandemic prevention and control measures, such as travel restrictions and closure of premises.

We recommend that the Government (i) provides continued support for the business community and (ii) more importantly, ensures a stable and predictable policy environment, especially stabilizing tax policies, to allow businesses to recover from the negative impacts of COVID-19 quickly and sustainably.

2. Management of illicit alcohol trade to protect the public health

The main purpose of the Government in managing and controlling the alcoholic beverages consumption is to curb abuse, which can harmfully affect to human health and other incurred costs to society. However, the key issue currently facing Vietnam is the prevalence of unofficial, unrecorded, and untaxed W&S products mainly manufactured by small-scale households, which its volume currently accounts for more than 70% of the market volume.⁵ In addition to causing the losses of the State's fiscal income, this matter significantly impacts on the implementation of public health protection.

⁵ According to an independent study conducted by the Central Institute for Economic Management.

We recommend the Government to formulate comprehensive and foundational solutions for unrecorded alcohol sector to (gradually) formalize the production of craft alcohol, thereby helping to (i) reduce the risk of food safety and (ii) increase state budget revenue and reduce tax loss.

In addition, the Government should facilitate the businesses of alcoholic products in mentoring the consumers to use the authentic, legitimate and qualified alcoholic products. Consumers should understand that using the unrecorded or the illicit alcoholic products may put their health at risks. Also, consumers should have more information of how to distinguish the authentic products and where to buy them. In order to meet this purpose, the Government should distinguish the introduction of product and enterprise from the advertisement for growing sale-out of alcoholic products.

3. Advertisement and Promotion of W&S products

Given the recent passage of the Alcohol Law 2019, there has been the conflict between the provisions on advertising and promotion of W&S products of this Law and both of the Law on Commerce 2005 and Law on Advertising 2012. Also, the definition of advertisement should be carefully considered not to overlap with the activities of product introduction and brand development which are the backbone of any business in manufacturing consumption products.

Notably, the continued ban on the promotion of W&S products is currently in conflict with the Alcohol Law, which only bans the promotion of alcoholic beverages above 15 per cent ABV. Restrictions on alcoholic products should be based on alcohol content, not product category (as beer products are currently not subject to any promotional restrictions), ensuring fairness and stability.

Finally, such a complete ban on advertisement and promotion of spirits risks promoting further consumption of illicit and unrecorded alcoholic products, leading to increased health risks for consumers while threatening the operations of legitimate W&S businesses.

We would like to make the following recommendations:

- Ensure consistency in the revisions of provisions on advertising and promotion of W&S products in the Law on Advertising 2012 and Law on Commerce 2005 respectively with the Alcohol Law so as not to introduce further regulatory burden on the W&S industry.
- Review the definition of advertisement of the laws in order to legalise the activities of W&S companies in their products and brand introduction within the clear legal framework of business.

4. SCT Reform

Applying a higher SCT rate on recorded W&S products would result in higher price for end consumers, thereby, incentivizing them to switch to other informal, untaxed, and low-cost products with more hidden food safety risks. This would lead to a failure to achieve the Government's objectives on health protection and state budget. Additionally, further cost burden would be imposed on legitimate businesses who always comply with tax obligation, especially in the current challenging environment due to COVID-19 impact. The increase in SCT rate will surely affect long term foreign investments in Vietnam.

The EuroCham Wine and Spirits Sector Committee recently partnered with the Central Institute for Economic Management to conduct research and publish a report titled "Quantitative Assessments of the Impacts of the Excise Tax on the Alcoholic Beverage Industry" to verify the effectiveness of alternative excise tax models compared to the current ad valorem tax model.

The report revealed that a mixed tax model has proven to be superior to the current relative tax method in reducing harmful alcoholic consumption while ensuring stable state budget revenues. In addition, the application of a mixed tax model would likely generate enhanced trading up effects, whereby consumers would switch to consumption of alcoholic beverages of higher quality and better trademarks, while restrict the consumption of cheap products with unclear origins and which do not ensure food safety standards

When the Government makes the decision to revise the Law on Excise Tax at an appropriate time in the future, we propose that the Government consider the application of a mixed tax method based on litres of Pure Alcohol rather than a relative/ad valorem tax rate due to superiority in helping to achieve the commitment to public health and the fiscal objectives of the State's budget and in line with Vietnam's current development status.

IV. Health and Beauty

A. IQMED

1. National Assembly published Resolution 80/2023/QH15 on the extension of Marketing Authorisation ("MA") of drugs and medicinal ingredients which expire from January 1, 2023, to December 31, 2024

At the extraordinary session of the National Assembly from January 5 to 9, 2023, the National Assembly discussed and voted to allow drugs with MA expired from January 1, 2023 to continue to be used until December 31, 2024. The resolution 80/2023/QH15 was issued accordingly. The Ministry of Health will publish the list of Extended Marketing Authorization in accordance with the Resolution.

Recently, the Ministry of Health has announced Decision 62/QD-QLD on February 8, 2023 and Decision 136/QD-QLD on March 1, 2023. The list of MA certificate has expired from January 1, 2023 to February 28, 2023, which is allowed to extend until December 31, 2024.

We appreciate the efforts of the Ministry of Health to avoid the shortage of drug supply. However, the monthly based approval list after the drug has expired will limit the initiative in production and import of the enterprise. Therefore, we would like the Ministry of Health to consider the possibility of deciding to approve early maintenance for all expired drugs until December 31, 2024.

2. Revision of the Pharmaceuticals Law

5 major issues need to be amended through the amendment of the Pharmaceuticals Law:

(i) Extension of Marketing Authorization every 5 years. Elimination of evaluation process in renewal application for pharmaceutical products. If the product has been circulated in the market without any quality problems, it should be continually circulated.

Decision 1661 of the Government on the abolition of a number of administrative procedures approved the elimination of the MA extension process with an implementation deadline of 2022-2023. Therefore, the amendment of the Pharmaceutical Law is very critical and urgent to realize the Government's direction.

We propose to minimize the dossiers for MA extension as only an application, post-marketing report and manufacturer's licenses are sufficient and certify the MA extension automatically. Enhancing Post-audit may be conducted in ensuring that the drug is legally extended.

(ii) Encourage technology transfer and export of local-manufactured products by reducing unnecessary administrative procedures and strengthening foreign invested enterprise's distribution rights of Tech-transferred products.

Pharma law 2016 is to enhance local manufacturing of generic drugs. The regulations on preferential mechanisms and policies in the Law on Pharmacy are not suitable to Vietnam's current drug supply needs and have not encouraged the investment, research, development and transfer of advanced technology in Vietnam.

We propose to amend a number of contents accordingly, providing investment incentives to encourage technology transfer and export of local-manufactured products by reducing unnecessary administrative procedures and strengthening FIE's distribution rights of tech-transferred products.

(iii) Clarify FIE's right to purchase back and wholesale their locally toll-manufacturing or tech-transfer products through certified distributor, for which FIE is the contract givers, same as the manufacturers.

Regulations related to the right to distribute drugs and medicinal ingredients of FIE are only regulated in Article 91 of Decree No. 54/2017/ND-CP. These regulations are not really clear yet for implementation, moreover, they have not been regulated in the Pharma Law 2016, so they need to be added to the amended Pharma Law

FIE, as the contract giver, who transfers the technology to the local manufacturer for manufacture of their products, who is the Marketing Authorization holder, should have the right to purchase back and wholesale their locally toll-manufacturing or tech-transfer products to their certified distributor for distribution in the market.

(iv) Implement harmonization and recognition mechanism for registration data/dossier among countries

Regulatory reliance in licensing process for pharmaceutical products: any drugs that have been granted with MA certificates in stringent regulatory authorities are (i) automatically granted with a MA in Vietnam or (ii) put under fast-track licensing process.

Vietnam to sign a mutual harmonization and recognition agreement for registration data/dossier among Asian countries: any drugs that have been granted with MA certificates in an Asian country will be automatically granted with an MA in any other Asian country.

(v) Review the management process of controlled drugs, toxic drugs in the direction of removing sublicense, enhancing post-audit. Allow companies to export controlled products (narcotics, psychotropics, precursors) without registration of the products in Vietnam.

The pre-check by means of licensing import of toxic drugs is not the main solution in ensuring the safe use of drugs for patients, but wastes resources for State management agencies, increases production and operation costs of the Enterprise, increasing the cost of products, thereby increasing the price of drugs for the needs of people for disease prevention and treatment.

In order to improve the efficiency of import and export management of drugs and medicinal ingredients in line with socio-economic development and international practices, we propose to remove this kind of sub-license for the importation. Allowing companies to export controlled

products (narcotics, psychotropics, precursors) without registration of the products in Vietnam. Enhancing Post-audit can be the next step in ensuring that the drug is legally imported

B. MDDS

1. Speeding up the issuance of marketing authorisation for medical devices

For Class C and D medical devices, the number of applications for MA that have already been submitted from 01 January 2022 and are going to be submitted under Decree 98 is estimated to be about 4,000 – 5,000 applications. Until January 2023, the number of applications that have been appraised is still very low, estimated only 12 per cent of MA have been granted.

We respectfully recommend that the MOH speed up the appraisal and issuance process for Class C and D medical devices's MA.

2. The model of placing and borrowing instruments at public health facilities

We highly appreciate the Vietnam National Assembly promulgated the revised Law on Medical Examination and Treatment, in which borrowing instrument is regulated in this law. This will create a positive impact on EuroCham member companies and major changes to people's healthcare. With the new policy on socialisation, hospitals and businesses can select the appropriate model for medical equipment investment. From there, modern medical equipment will be invested, creating a favourable environment for the deployment of advanced techniques in medical examination and treatment toward better disease diagnostics and treatment.

Since the law will take effect from January 1, 2024, there are only 9 months left for the preparation and implementation of the new provisions. We hope that the Government, the Ministry of Health and relevant departments will soon compile and issue implementing decrees and guiding circulars. Meanwhile, relevant laws and documents will be closely reviewed to ensure consistency and synchronisation with the revised Law on Medical Examination and Treatment.

3. Decree 07/2023/ND-CP and Resolution 30/NQ-CP

We highly applaud the Vietnamese government for the issuance of: (1) **Decree 07/2023/ND-CP** amending and supplementing several articles of Decree 98/2021/ND-CP on the management of medical equipment issued by the Vietnam Government, effective from the 3rd of March 2023, and (2) **Resolution 30/NQ-CP** on 4th of March, 2023 to remove some barriers to placing instruments, health insurance reimbursement and tender price for medical devices which caused the shortage of medical supplies, and interrupt testing, diagnostics and treatment at public hospitals in Vietnam.

Decree 07 and Resolution 30 have removed difficulties and obstacles that hospitals, patients and enterprises are facing. For smooth implementation and avoiding challenges occurred. Our recommendations are:

1. We are happy to learn that Decree 07 has extended the validity of the import license and marketing authorisation of medical device class C and D to 31 December 2024. However, we recommend that MOH also consider and accelerate the speed of granting product licenses.

2. Resolution 30 allowed continued reimbursement of health insurance costs related to screening and testing services performed via the placement and borrowing models and place instruments are also allowed to announce when opening the bidding. We recommend the involvement and responsibility

and closer coordination of the Ministry of Health, the Ministry of Finance and the Ministry of Planning and Investment to solve the issues in a permanent way at the level of Law or Decree for effective and practical law enforcement, and to avoid overlapping responsibility in executive management.

3. Resolution 30 also refers to the market prices when determining tender prices. There is no longer requires a minimum of 3 price quotations after inquiring about price quotations in accordance with the legal regulations on bidding within a minimum of 10 days, the investor can base the number of quotations received as a basis for building the bidding package price. We recommend it is necessary to have a specific procurement mechanism for medical devices and consumables in the Law on Tender (amended) and guiding documents agreed upon between the Ministry of Health and the Ministry of Finance.

C. Pharma Group

Pharma Group represents the voice of the innovative pharmaceutical industry with 22 member companies from Europe, the U.S. and Japan who all share the same mission of ensuring fast and sustainable access to high quality and innovative medicines and commits to partner with the Government in developing a patient- and innovation-centric pharmaceutical sector.

We share Vietnam's ambition, as outlined in the recent 2 important documents:

- **Resolution 29** (17 November 2022) at the 6th Plenary of the Communist Party of Vietnam reiterates the country's blueprint for development goals to 2030, vision 2045. This Resolution emphasized the key role of *innovation*⁶ in helping Vietnam to address current and future challenges. The Resolution also identifies *pharmaceutical* as one of the priority sectors that will enable and drive innovation.
- **Resolution 36** (30 January 2023) of the Politburo envisions Vietnam to become a significant partner in the global life sciences sector, in particular being a hub in Asia for biotechnology and having this industry as an important economic driver.

Representing the innovative pharmaceutical industry, **Pharma Group stands ready and is committed to support the Government in the development of the action plan⁷ to implement Resolution 29 and Resolution 36 on Pharma topics.** Recommendations:

1. Successful implementation of the Resolutions 29 & 36 (to develop the sector & achieve VN's vision): We believe a clear, timebound roadmap with quantifiable objectives will be critical. We would suggest to integrate key findings by KPMG on the Value the innovative pharmaceutical industry can contribute to Vietnam across 8 aspects⁸, as well as the globally recognized 10 critical factors by IFPMA⁹ to attract investment into this innovative sector.
2. Before that, it is important to ensure improvements in policies and processes are in place to:
 - a. **Speed up the availability** of new and innovative medicines, by reducing the time for Marketing Authorization approval and Reimbursement listing;
 - b. **Improve accessibility** for patients: by ensuring these medicines are available via different channels, both public and private, as well as facilitating patient support programs;

⁶ Mentioned 26 times in the Resolution

⁷ Official Letter 8386/VPCP-CN dated 14 December 2022 on tasking the Ministry of Planning and Investment to draft the Government action plan to implement Resolution 29-NQ/TW dated 17 November 2022 within February 2023.

⁸ KPMG: Value of Innovation Report – 2022: (1) Health benefits; (2) Local Pharma Sector Development; (3) Fostering Start-up, entrepreneurship eco-system; (4) Domestic R&D/clinical trials expertise development; (5) Workforce/Human resources training; (6) Healthcare Professional capability building; (7) Public Private Collaboration, CSR; (8) FDI, Tax.

⁹ International Federation of Pharmaceutical Manufacturers Association (IFPMA): Facts and Figures – 2022: (1) Rule of law is established and enforced; (2) Political stability and transparent economic governance; (3) A trusted partner adhering to high ethical standards; (4) A viable and accessible local market; (5) Appropriate capital markets; (6) Innovation friendly environment with sound IP rights; (7) Proper access to information; (8) Adherence to high regulatory standards; (9) Skilled workforce; (10) Clear economic development priorities.

- c. **Prevent shortages** of medicines by removing the administrative barriers for supply chain continuity, and providing predictability for procurement;
- d. **Strengthen the regulatory system** by adapting global best practices to improve regulatory processes and optimize resources, while maintaining oversight of quality, safety and efficacy of medicines;
- e. **Attain sustainable health financing** via applying a value-based approach to public procurement and healthcare financing policies for the benefit of patients, government and industry;
- f. **Create an enabling and attractive environment** for pharmaceutical companies to operate and further invest, which in turn will foster the development of the pharmaceutical sector and increase Vietnam's competitiveness in ASEAN.

Pharma Group reiterates our commitment to support the Government in the development of the action plan to implement Resolution 29 and Resolution 36 on Pharma topics.

V. Dispute Resolution

1. Courts and the competition authority

The judicial independence and the efficiency of the legal framework in settling disputes and in challenging regulations and future orientations of government in Vietnam was ranked 89th out of 141 countries in the WEF's annual Global Competitiveness Report (2019) and has not been updated since COVID-19. When planning to invest abroad, the availability of an efficient and transparent judicial system is one of the key factors that foreign investors take into account.

We would like to maintain the predictability and stability of the current system to ensure an enabling regulatory framework. Continue to publish the judgments of courts at all levels. Publish all decisions of the competition authorities. Amend the Law on Lawyers to allow fully-qualified Vietnamese lawyers to represent clients before Vietnamese courts, even if she or he is working for a foreign law firm.

2. Arbitration in Vietnam

While the Vietnam International Arbitration Centre (VIAC) confirmed an increase in the total value of disputes in pre-pandemic years, our members continue to report a number of serious issues in VIAC-managed arbitration.

The main concern remains the intervention of the Vietnamese courts not only before a final award is issued, which may result in the lack of jurisdiction of the VIAC tribunal and the termination of the arbitration proceedings, but also by setting aside the final award once it has been issued by a VIAC tribunal.

The absence of a right to appeal a decision to set aside an arbitral award continues to be a major obstacle for foreign investors who are seeking a fair and transparent resolution of their claims in Vietnam.

3. Recognition and enforcement of foreign arbitral awards

Foreign investors generally choose dispute resolution by international arbitration where the value of the contract is substantial. However, our members have found that it is extremely difficult, in practice, to achieve the recognition and enforcement of foreign arbitral awards through the Vietnamese courts.

One of the main difficulties encountered is the reversal of the burden of proof. In practice, the Vietnamese courts reverse the burden of proof and require the award creditor to prove that any objections raised by the award debtor are invalid or not applicable.

Another difficulty is the rejection of applications by the Vietnamese courts for reasons that are not consistent with the NYC. In many cases, the Vietnamese courts have determined that the foreign party to the arbitration agreement lacked the capacity to sign a contract by wrongly referring to Vietnamese law instead of the relevant law governing the foreign party.

Vietnam does not apply NYC provisions makes it a less attractive destination for foreign investors since any procedure for recognition and enforcement is uncertain and, too often, leads to a decision that would have been different in other parties to the NYC (as evidenced by the figures released by the MOJ and discussed above).

We would like to recommend continuing to publish updated figures on applications for recognition and enforcement of foreign arbitral awards to follow the publication of figures for 1 January 2012 to 30 September 2019. Implement the Civil Procedure Code so that it provides for the strict application of the provisions of the NYC. Introduce the automatic referral to the relevant Superior People's Courts of all cases where an application has been rejected by the Courts of First Instance. Organise more seminars and training courses to ensure that judges are properly trained to deal with applications for recognition and enforcement of foreign arbitral awards in accordance with Vietnamese law and the NYC.



POSITION PAPER OF AMERICAN CHAMBER OF COMMERCE IN VIETNAM AT ANNUAL VIETNAM BUSINESS FORUM

Thank you for the opportunity to present the American Chamber of Commerce's view of promoting an innovative and sustainable business environment in Vietnam. This VBF session comes at an important time for both foreign and domestic enterprises and provides a chance to prepare for a bright future.

AmCham represents more than 650 corporate and 2500 individual business representatives throughout Vietnam, accounting for billions of dollars in foreign investment, tens of thousands of direct employees, hundreds of thousands of indirect employees, and a significant share of Vietnam's exports and tax revenues. Our members have had a transformative role in the development of Vietnam. From managerial practices and technologies, to service standards and business ethics, the U.S. business community here has affected Vietnam in many positive ways. The United States is one of the top investors here and Americans are in Vietnam investing in manufacturing and infrastructure, as well as providing high quality consumer goods, agricultural and industrial products, and technology and services. The U.S. is also Vietnam's biggest export market.

Opportunities and Challenges for the Year 2023

AmCham and our member companies congratulate the Vietnamese government on the success of its economic management during the pandemic and on the strength of its recovery. Vietnam's success in controlling inflation, and in maintaining the relative stability of the dong, is remarkable in comparison with other countries in the region.

Vietnam is well positioned to build on those successes in 2023. Productivity gains in its manufacturing base and the return of international transport costs to pre-Covid levels bode well for continued growth in Vietnam's export capacity this year. The country's modest debt-to-GDP ratio will offer room to maneuver in its eventual response to the next downturn in the global economy.

Indeed, the global economic environment does present some risks for the new year. Reduced consumer demand in the U.S. and the European Union have already created a backlog in inventories, resulting in decreasing factory orders. This reduced international demand, coupled with reduced domestic demand in Vietnam, is likely to result in slower GDP growth for Vietnam in 2023. This reduction should be offset, at least partially, by supply-side gains resulting from expected robust FDI inflows that will support Vietnam's ambitious plan for \$30 billion in new infrastructure spending during the year.

Vietnam will have to respond decisively to several challenges presented by global markets in 2023. This is a good time to improve access and opportunities for foreign investors, particularly as Vietnam reinforces its commitment to providing manufacturers access to renewable energy and to transitioning to cleaner energy overall. AmCham also encourages the government to continue the process of bringing its tax regime more closely in line with international standards and to clarify

those elements of Vietnamese law that hinder the efficient deployment of foreign investment. It is our hope that the U.S. and Vietnamese governments can finish the bi-lateral tax treaty urgently.

We encourage the State Bank of Vietnam to develop a roadmap to remove the zero-interest cap on US dollar deposits. Rising and sustained US dollar interest rates has created concern for foreign investors and large multinational corporations that see no return on dollar assets here. Removal of the cap will help attract and retain more US dollars in Vietnam. The resulting increase in foreign reserves will help manage the exchange rate and inflation.

Vietnam will also continue to benefit from knowledge transfer in technical innovation and corporate governance provided by the presence of American companies in Vietnam. Streamlining immigration processes, especially for business visitors, would have a direct, positive impact on international commerce.

AmCham looks forward to continuing its partnership with the Government to attract investment and drive innovation in essential infrastructure to support sustainable growth, to enact policies to continue to attract high-value manufacturing, and to increase the role played in Vietnam by the digital economy.

Our members are concerned about growing administrative burdens and slow decision making. We see conflicting regulatory procedures particularly regarding definitions of what is a foreign enterprise or FIE, and what is a local or domestic company. Ministries are making conflicting determinations. The same company can be treated as a foreign company under pharmaceutical regulations – and therefore exempt from distribution rights – and treated as a domestic company under the cyber law.

Accelerating the Transition to Clean and Renewable Energy

Vietnam's impressive GDP growth in 2022 highlights the urgent need to accelerate Vietnam's energy transition away from dependence on fossil fuels. Indeed, Vietnam posted important achievements in its Power & Energy sector in 2022.

To meet increased post-Covid demand, new power grid projects can attract investment and expand the capacity of Vietnam's renewable energy sources, providing safe and reliable energy supply for both residential and commercial consumers. We appreciated the Government's consideration of the comments and recommendations of AmCham, and of other business associations, in the development of the Power Development Plan 2021–2030. AmCham is particularly interested in immediate plans which will give investors access to renewables in the short term to meet their manufacturing goals.

The acceleration of Vietnam's energy transition is made urgent by the rapid growth of Vietnam's economy, accompanied by continuing urbanization and industrialization. The transition to renewable energy will be a long-term engine for employment as well as a way to address air pollution.

Vietnam is one of the first countries to renew its nationally determined contribution to the United Nations Framework Convention on Climate Change in 2020, committing to reducing greenhouse gas emissions. To achieve the zero-carbon goal by 2050, it will be necessary to prioritize energy sources that are both affordable and socially sustainable. This process will require financial and technical support from external sources.

Building on COP26 commitments and the signing of the Just Energy Transition Partnership (JETP) between International Partners Group and Vietnam in December 2022 reflects practical assistance

to the country's ambitious climate targets, including a substantial increase of renewable energy by 2030. These JETP targets are reflected in the recent draft of the Power Development Plan VIII of December 2022, which estimates an investment cost of \$142 billion (\$126 billion for power generation/sources and \$16 billion for power transmission grid) for the period 2021-2030. Substantial project-based investment can come from the private sector very quickly if the regulatory regime allowed.

We also urge authorities to continue allowing industrial zones to provide tenants with access to renewable energy. Crucial to many US manufacturers choosing Vietnam or elsewhere is access to renewable power in the immediate term. Plans for expansion of current facilities or supply change relocations must include green energy.

The proposed Direct Power Purchase Agreement (DPPA) is an important mechanism to attract investors and private investments, not only in the energy sector but also in other sectors where companies have made commitments in the space of renewable energy, carbon reduction, and sustainability. This DPPA has been under design and review for around six years, is a mechanism that has been used in many countries, and we hope it can come into force this year. In 2022, private companies in Asia Pacific signed a record 7GW of direct Power Purchase Agreements, an 80% increase from 2021 demonstrating their willingness to drive new clean energy investments. Approval of the DPPA could unlock billions of dollars in investment from the private sector.

More could be done to finance Vietnam's move away from fossil fuels. We encourage further consideration by authorities of a streamlined, easy-access legal framework to provide high-quality offshore gas, LNG, wind, solar and transmission projects with the substantial funding they will require from the international markets.

Crucial to attracting domestic and international investment are bankable purchase agreements (PPA) for sustainable power. Green financing offers favorable rates to private investors to reduce CO₂, but the legal framework should be updated to clarify criteria for approving green finance.

We continue to see privately financed growth in off-grid power projects, especially rooftop solar systems in the form of onsite corporate PPA. These projects demonstrate that producers and users are able to develop sustainable long-term agreements, supporting the argument in favor of EVN workout pricing for using the national grid. In the meantime, timely approval of the onsite corporate PPA in the first quarter of 2023 - an important mechanism for attracting private investment - would be much welcomed by industry.

Offshore wind presents great opportunity as a baseload contributor for the national grid. Again, Vietnam must address current legal uncertainties to unlock substantial international capital that is currently waiting on the sidelines. In the absence of appropriate property rights, PPAs, and commitments for connection to the grid, project developers might not be able to adequately mortgage the sea area (as part of the security package) to the project lenders.

Transmission is essential to make the overall system work. Batteries will play an important role in the country's power and transmission stability. Clean, sustainable energy storage batteries can be a key factor in enabling further integration of solar, wind, and distributed energy, and in enhancing grid stability. It is hoped that the Government will soon develop a legal framework and market mechanisms for the development of clean, sustainable energy storage batteries in Vietnam. Vietnam would also benefit from indigenous iron/saltwater batteries, and competitively priced, environmentally safe rare earths necessary for production of battery energy storage.

Hydrogen could be part of a long-term solution. While too expensive for power plant use today, it is already cost-effective for industrial and agricultural use. Vietnam should ensure that LNG turbines and piping and offshore wind projects are built with hydrogen in mind, but making renewable energy more available is most important right now.

Unlock the Full Potential of the Digital and Creative Economy

AmCham appreciates the Government's effort to support Vietnam's transition to a digital economy, and to digital transformation more broadly. Our members work actively to support this transformation, both with Vietnamese partners and through their own projects. For Vietnam to realize the full potential of its digital future, we urge the Government to take a holistic approach and global view in developing a digital regulatory framework.

The free flow of data across borders and ensuring Vietnamese users can access industry-leading services and global-standard data protection mechanisms provided by both cross-border and local companies is vital to ensuring digital transformation success.

We welcome Vietnam's efforts to create a comprehensive data protection regime that can protect the privacy rights of users and provide predictability to businesses. The ability to move data and access information across borders is essential for businesses of all sizes, sectors, and geographies. Businesses in healthcare, transportation, manufacturing, hospitality, retail, information technology, logistics, and financial services, among other industries, rely on data transfers to routinely access globally delivered services and to conduct trade, operate across markets, and carry out research and development. The essential nature of data flows is recognized in Vietnam's international trade obligations and in global best practices for data protection.

The growth of the digital economy in Vietnam demands the development of digital infrastructure and services such as cloud services and data centers. The current gap between Vietnamese and international standards on cloud services and data centers are creating a barrier for U.S. companies to invest and provide services in these areas. It is recommended that Vietnam should harmonize local standards with international ones to facilitate international investors in cloud services and data centers.

We note that lengthy and complicated procedures for the import of digital equipment and devices. For example, the process of product quality certification requires submitting many technical documents in hard copies which takes significant time - not only for businesses to prepare but also for relevant authorities to consider. This burdensome process is even required for products which have been certified in the past or recognized and circulated in other markets with the advanced level of technology development. We recommended streamlining these import procedures and enabling the acceptance of quality certificates issued by certain countries.

Low Earth orbit satellite broadband technologies have enormous potential to serve communities and industries in Vietnam, especially in rural and remote regions. This technology would also be useful during the frequent disruption of underseas cables that connect Vietnam to the world. The ability of foreign companies to offer this service in Vietnam is blocked by restrictions on foreign ownership and operation of telecommunications services here. These restrictions prevent the economic benefits of next-generation satellite technologies. We recommend opening access for foreign invested satellite broadband technologies and services in the draft Telecom Law.

Vietnam has a great opportunity to modernize its digital economy regulations and although we have seen some positive changes, our members still have significant concerns about whether planned regulations match the Government's goal of developing a vibrant and competitive digital

economy. AmCham has provided feedback on a number of draft Laws and Decrees important for the digital and creative economy. These include areas of Telecommunications, Consumer Rights Protection, Personal Data Protection, Electronic Transactions, Radio and Television Services, Internet Services and Online Information, and Cinema/Video regulations. We share your government's goal of developing a vibrant and competitive digital economy in Vietnam, and we appreciate the opportunity to work with you in that effort. AmCham hopes that as the Government continues to develop relevant regulations, it actively consults with the international digital business community - including sharing drafts for consultation and inputs. AmCham also hopes that the Government will ensure that regulations are workable for business operators and are consistent with global best practices. Our members look forward to working with you on sound policy frameworks that support economic growth and foster innovation.

Health and Wellness are Key Issues for Sustainable Development

The rapidly expanding demand for pharmaceuticals here is mainly driven by improved healthcare service accessibility, wider universal healthcare coverage, rising personal incomes, and better health awareness and management. With an acknowledgment of the value of innovation, U.S. healthcare companies continuously invest in activities that increase local access to wide range of innovative treatment and healthcare services, research and development, local manufacturing and technology transfer and are scaling efforts to support digital healthcare infrastructure. Our members in this sector have been actively contributing to Government's efforts through various Public - Private partnerships, tackling critical medical issues in the country such as COVID-19 relief efforts, improving healthcare services for people in underserved areas, and elevating knowledge and education for healthcare practitioners and patients.

Our members and their partners across the healthcare system face challenges related to restrictions and lengthy approval process for import and distribution of healthcare products and technologies that Vietnam urgently needs. AmCham applauds the National Assembly's recent action to pass Resolution 80 that gave automatic extensions of marketing authorization (MA) of drugs and vaccines that were set to expire at the beginning of this year. This action has minimized disruptions in the supply of critical drugs and medical equipment. And in February, we were pleased that the Ministry of Health published and enacted Decision 62/ QD-QLD which extends Mas on many medicines until the end of 2024. We recommend a more sustainable solution be implemented to resolve these ongoing challenges, including amendment of the Pharma Law, removal of warehousing and transportation restrictions imposed on foreign invested enterprises, gradually opening the drug distribution for foreign invested enterprises to increase the access to drug supply, and removal of country-specific requirements to align Vietnam's processes with regional and global standards. Appropriate policies and the government's commitment to implement such policies are critical and essential for the development of pharmaceutical industry.

We urge implementation of reliance pathways based on the WHO's recommendation to expedite registration and access by patients to innovative and lifesaving medicines, vaccines, and medical devices. We also encourage a workable tech transfer regime that encourages rather than discourages tech transfer investment, predictable and sustainable price negotiation processes for originator pharmaceuticals, and a willingness to explore alternative financing sources to support healthcare financing, as well as alternative financing models including managed entry agreements to support patient access. Our members are eager to share their experience and international best practices of innovative health financing mechanisms as well as price confidentiality in drug procurement agreements with manufacturers or suppliers when the drugs are paid by state budget funds or health insurance funds.

It still takes about eight years for a new drug to be licensed and included in the National Reimbursement Drug List (NRDL). This timeline is much longer than in many other countries. In addition, the NRDL is only updated every four years on average, which delays patient access to new drugs through health insurance - especially innovative life-saving drugs such as cancer immunotherapy drugs or novel antibiotics. To better serve the needs of Vietnamese patients, we recommend starting a new round of NRDL review as well as consideration of a new, shorter mechanism that allows more regular updating of the NDRL.

Streamlining Mobility for International Business Exchange

There remains a lack of clarity regarding the requirements to obtain work permits for foreigners. Several foreign entities that are planning to establish a commercial presence in Vietnam do not yet have a sponsor to obtain a visa for their foreign employees. We recommend streamlining administrative procedures, including:

- Eliminate the requirement to legalize documents in order to apply for work permits;
- Accept that the submitter will present a letter of authorization from sponsoring company and his/her ID card to an officer of the immigration authority for submission purpose. No other documents to identify the individual is further required by the authority for this purpose;
- Keep the processing time in line with current regulations and remove the requirements of job posting, labor usage plans and personnel training plans, which are a prerequisite step for work permit applications;
- Expand e-visa and visa exemption policies to facilitate business travel;
- Expand opportunities for individual visas to be repurposed (Law No.51/2019/QH14), specifically to allow foreigners who entered Vietnam under an e-visa, visa exemption, business visa/work visa/TRC with a sponsoring company to convert to a long-term visa/TRC of another sponsoring company when their new work permit under such company is granted without the requirement to leave Vietnam;
- Reinstate the ability to extend a visa in-country while waiting for a work permit to be processed. Currently, a visa extension of only 15 days is permitted, after which the applicant must leave the country. This unnecessary burden is both costly and time-consuming to the applicant and his/her employer;
- Increase immigration personnel that receive visa and work permit applications in order to reduce excessive waiting times;
- Expand the conditions that foreigners can collect a visa-on-arrival at Vietnamese airports OR offer two options for foreigners to obtain a visa either at a Vietnam consulate office or at a Vietnamese airport upon arrival;
- Improve the visa-stamping process at airports as sometimes authorities stamp the exemption visa in a passport when the entrant holds a working visa letter;
- Extend the maximum term of business visas from the current 30-day limit; and
- Permit in-country extensions of business visas.

In addition, we note that Resolution 105/NQ-CP recently expired which is causing difficulties for companies to retain current foreign workers already in Vietnam, and to mobilize new foreign workers as the improved regulations on work permits have now reverted to the more burdensome rules under Decree 152. AmCham recommends retaining the following provisions of Resolution 105:

- A bachelor or higher degree should not be connected to the job position that the foreign worker will undertake in Vietnam, such that the foreign worker can apply for a work permit in the form of “expert”;

- The training field of foreign technicians should not be related to the role or relevant experience if he/she applies for a work permit with a certificate of experience;
- Accept previously issued work permits as documentation affirming the experience of an expert of technical worker. As such, individuals working in Vietnam for a long time will not need to obtain a certificate of work experience from an overseas business in order to apply for a new work permit in Vietnam;
- Individuals holding work permits valid to work in another province or city for a period not exceeding six-months without a need to re-apply for a work permit should be accepted such that companies can mobilize workers to provinces without the need to establish a registered commercial presence in such provinces. This would eliminate a costly administrative burden which is often useless since the commercial presence is only established for the purpose of sponsoring work permits;
- A passport copy should be accepted to apply for a work permit instead of the need for a certified true copy of a passport from a notary public agent. According to labor regulations, a work permit should be obtained no later than 15 days before the foreign worker commences work activity in Vietnam, but a certified true copy can only be obtained once the foreigner arrives in Vietnam and presents his/her passport for notarization.

Harmonizing Tax and Customs Policies with International Standards

Complete the Bi-Lateral Tax Treaty

The United States and Vietnam reached agreement on a tax treaty prior to changes in U.S. tax law in 2019. Both countries are working to sign a slightly amended agreement and we hope talks will be concluded this year. This is very important for U.S. citizens working in Vietnam and for U.S. companies here.

Implementation of Pillar Two: Global Minimum Tax

We thank the government for including us in recent discussions about the Global Minimum Tax and welcome the task force to assess implementation. Questions we ask relate to prevailing regulations on investment incentives:

- Current and future Corporate Income Tax (CIT) incentives, including preferential rates and tax holidays
- Import duty exemption; and
- Land and water surface lease incentives.

In October 2021, 136 countries participated in negotiations organized by the OECD, and agreed to a Two-Pillar Tax Reform Solution, including Pillar Two on the Global Minimum Tax (GMT) of 15%. OECD member countries and members of the Inclusive Framework are currently modifying their domestic laws to comply by 2024.

Multinational corporations (MNCs) operating in Vietnam, as well as Vietnamese corporations with overseas investments, are concerned about the impacts of Pillar Two, specifically:

- (i) Whether the introduction of the GMT would result in any reduction or loss of tax incentives (especially CIT) which these enterprises have been enjoying under the prevailing regulations; and
- (ii) Whether the Vietnamese Government will provide compensation in case the CIT incentives are less favorable or become ineffective as a consequence of adopting GMT.

It is recommended that the Government of Vietnam study the eventual impact of GMT on investors and companies in Vietnam, and potential solutions for compensation to those enterprises whose CIT incentives are less favorable, or become ineffective, due to the adoption of GMT.

Corporate Income Tax (CIT) Incentives

Current CIT incentive policy applies almost exclusively to a company's profits. Other direct incentive types such as incentives for company expenses are almost absent from the tax law. We recommend that the Government integrate more cost-based incentives to encourage new projects in selective investment sectors (e.g., support on expenses for renewable energy, employee benefits, infrastructure, R&D, and technology transfer).

Current incentives do not contemplate the manufacture of electric vehicles. Given their importance to Vietnam's green development strategy and its COP26 commitments, the production of electric vehicles should enjoy preferential CIT incentives, similar to those available for environmental protection projects (preferential rates, tax exemptions, etc.).

According to the guidance of Law 32/2013/QH13 and Decree 218/2013/ND-CP regarding CIT, the application time for CIT incentives for high-tech enterprises are counted from the date of Certificate issuance. However, the guidance of Circular 78/2014/TT-BTC and Circular 96/2015/TT-BTC regarding CIT, the application time of CIT incentives for high-tech enterprises, agricultural enterprises applying high-tech, and projects applying high-tech are counted from the year of Certificate issuance. We recommend that these regulations be amended to eliminate that inconsistency.

Special Consumption Tax

In the interest of public health, the Ministry of Finance is considering a proposal to apply a Special Consumption Tax ("SCT") on sugary beverages. International experience indicates that a SCT on sugary beverages has not proved effective in reducing obesity and diabetes, while it caused significant social and economic impacts. Given the availability of many high-calorized foods in the market and the lack of physical activity among school age children, sugar sweetened beverages are not the main cause of obesity. Meanwhile, if the proposal is endorsed, the beverage industry which greatly suffered from the Covid-19 pandemic and is struggling to recover, will face an additional financial burden. In addition, other associated industries such as sugar and sugar cane, retail, packaging, and logistics will be consequently impacted. We recommend that the Ministry of Finance take into consideration the effectiveness and potential impacts of their proposal on businesses and consumers to avoid unintentional consequences and a discrimination between sugary beverages and other beverages or food containing sugar.

Taxes on Foreign Contractors Operating on Digital Platforms

The Government has introduced tax management regulations on foreign suppliers conducting e-commerce, digital businesses, and other services in Vietnam without having a Permanent Establishment.

Foreign suppliers who have no Permanent Establishment in Vietnam and conduct e-commerce and digital-based businesses in Vietnam ("foreign suppliers") are obligated to directly register, declare, and pay taxes in Vietnam.

Relevant regulations in this respect are unclear regarding registration, declaration, and payment by foreign suppliers, leading to difficulties in complying with tax filing obligations.

We recommend that the Government consider such concerns raised by foreign suppliers and other stakeholders and provide the appropriate clarifying guidance.

Direct Capital Transfers

Article 14 of Circular 78/2014/TT-BTC provides guidance on the declaration of CIT from capital transfer activities. However, the Circular is unclear with respect to capital transfers attached to real estate. Specifically, such regulations do not specify or define which cases are considered “transfers of capital attached to real estate”. This makes it challenging for companies to determine the appropriate form of capital gain tax return to be used.

We respectfully request that the Ministry of Finance issue guidelines for defining specific cases that are considered as “transfer of capital attached to real estate” for enterprises to properly comply.

Indirect Capital Transfers

Article 2 of the Law on CIT 2008 stipulates that “Foreign enterprises without permanent establishments in Vietnam shall pay tax on taxable income arising in Vietnam”. However, the methods for determining taxable income and calculating the eventual tax due for such foreign enterprises are not sufficiently detailed. This leads to difficulties in calculating the tax obligations and in paying taxes.

Many other countries do not levy taxes on indirect capital transfers, while others impose the tax only if the transaction meets certain conditions.

We respectfully recommend that the Ministry of Finance issue specific regulations and guidelines for indirect capital transfer transactions and consider reasonable exceptions in line with international practice.

Deductible Expenses for CIT

Article 6 of Circular 78/2014/TT-BTC, amended by Article 4 of Circular 96/2015/TT-BTC, lays out the definitions of deductible and non-deductible expenses for determining taxable income.

Under the view of some local tax authorities, selling expenses to indirect customers (i.e., to customers of the company’s customers) are not directly related to business activities of the company, and as such are not treated as deductible expenses when calculating the company’s CIT due.

We recommend that local tax authorities be advised that, in line with international practice, tax deductions be allowed for such expenses incurred in developing the company’s distribution channels.

Promotion Expenses

Companies must prepare payment documents when giving promotional gifts to customers. However, if the promotion organization does not comply with the provisions of Point 1a, Article 16 and Article 17, Decree 81/2018/ND-CP, in addition to incurring administrative penalties, the company must issue VAT invoices and declare output VAT for promotional goods.

Currently, some tax authorities have taken the view that this cost cannot be deducted.

We recommend that the CIT law be amended to explicitly allow the deduction of promotional expenses, including in cases of non-compliance with the commercial law.

Deductions for Employee's Work-Stoppage Wages

According to the provisions of Article 99 of the Labor Code 2019, employees and employers are entitled to agree on a stoppage wage for employees. Separately, Point 1, Article 4 encourages employers to extend more benefits to employees.

However, the definition of expenses that do not correspond to taxable revenue does not make any mention of work-stoppage wages paid to employees (see Point 2.31, Article 6, Circular 78/2014/TT-BTC).

We propose that the tax authority allow for the deduction of the actual salary cost (and of compulsory insurance) during the corresponding work stoppage period.

Unused Annual Leave Days

Point 3, Article 113, of Labor Code 2019 contemplates the payment of wages for the employee's unused leave days in only two cases: severance and job loss. However, Point 1 of Article 4 encourages agreements that offer employees more favorable conditions than those prescribed by law.

In addition, Point 2.31, Article 6 of Circular 78/2014/TT-BTC does not mention the deduction for salary expenses paid for unused leave days for employees.

Given that the law encourages more favorable benefit agreements for employees, we propose that the Code be amended to allow for the deduction of salary costs paid for the employee's unused leave days as eventually agreed between the employee and the employer.

Excess Overtime Expense

We understand that, in cases of voluntary overtime work due to an employer's inability to arrange replacement workers, overtime wages are an employee benefit that should be encouraged, especially in the post-Covid context (Point 1, Article 4, Labor Code 2019, including for cases exceeding 200 hours or 300 hours in a year).

However, local tax departments often do not agree to treat such overtime wages as deductible expenses for CIT calculation purpose.

We propose that the tax authorities reassess the importance of overtime costs and allow for the deduction of overtime expenses that exceed the level specified in Article 107.

Customs approach to publish scheme and guidance in handling Transfer pricing adjustments

As of Oct 2022, Vietnam recognized the highest increase of Foreign Direct Investment since 2018, with the ratio of realized FDI enterprises to registered capital recorded as of 82.3%. The FDIs are mainly by multinational companies. To comply with OECD guidelines and adopt common international practices, MNCs apply the transfer pricing principle as an official scheme to govern the pricing policy of goods traded between related parties.

Based on our observation, other ASEAN countries like the Philippines, Singapore, Thailand, etc. have recognized the correlation between transfer pricing and customs valuation, thus introducing mechanisms to manage transfer pricing adjustments and companies' voluntary disclosure for Customs compliance.

Accordingly, we suggest that Vietnam Customs and Tax authorities should review and consider developing and introducing an official legal basis/ scheme to manage amendments to Customs declarations resulting from transfer pricing adjustments and publish standard guidance to companies to comply with. Having mechanisms to manage amendments of customs declarations resulting from transfer pricing adjustments will encourage compliance.

Risk management in Customs operations (i.e. Circular no. 81/2019/TT-BTC dated 15 Nov 2021) issued by Ministry of Finance

To encourage companies to apply for the trusted-trade program and effectively to manage their compliance, we recommend Vietnam Customs to review current gaps, and provide more clarity to companies, especially in terms of:

- Association/ linkage between a company's risk-profile and customs compliance rating; and
- Their respective percentage of customs inspections the company may be subject to.

Reform Capital Markets to Drive Investment

We encourage financial sector reforms, particularly on raising Foreign Ownership Limits that will lead to "Emerging Market" vs "Frontier Market" status for Vietnam's capital market in the assessment of MSCI and FTSE. We also encourage reforms to secure an investment grade sovereign rating for Vietnam. An investment grade sovereign rating and Emerging Market status from Frontier Market will attract more international capital into Vietnam, creating a virtuous circle: a more positive view of the economy will attract more direct investment and trade, leading to faster economic growth. We welcome Vietnam's new Insurance Law and look forward to the Ministry of Finance continuing to work with industry to develop regulations to increase awareness of the importance of insurance and insurance penetration rates.

Central Counterparty for Securities Market in Vietnam

AmCham supports and encourages forward-looking initiatives that advance Vietnam's transition to emerging market status. The introduction of a true Central Counterparty (CCP) for equities secondary market is a critical step towards making Vietnam's capital market infrastructure more robust and investor friendly by mitigating counterparty risks and inefficiencies such as prefunding requirements. The CCP model should incorporate global best practices around risk management, roles, responsibilities, and liabilities of the various parties involved.

There are a couple of key areas of concern from global institutional investors and intermediaries around the proposed model that requires them to place margins or continue to prefund and the proposal to require the custodian banks to become clearing member to the CCP that deviate from the global best practices. The margin or prefunding requirement takes away one of the key benefits that was welcomed by the global investors and disrupts the key underlying principles of Delivery Vs Payment (DVP) protection to all parties. At the same time, the requirement for custodian banks to become CCP on behalf of all its custody clients also vastly deviates from international model and best practices, and brings heightened capital market exposure to custodian banks that most central banks often strive to isolate the banking industry from due to its sensitivity on the overall financial stability.

Given that implementing CCP in Vietnam would impact the whole securities market ecosystem, we believe it is advisable that this model should only be implemented once all the market participants (local and foreign market participants, investors and their intermediaries – custodians, global custodian banks, international broker dealers etc.) views are duly incorporated.

We understand the Government and State Bank of Vietnam are working on the revision of the Law on Credit Institutions, and request that foreign bank branches be allowed to lend up to the single lending limit of their respective parent banks. Branches of a foreign bank in the country should operate on a consolidated basis including governance, regulatory reporting and prudential ratios per international best practices.

We suggest SBV to gradually move away from administrative control in setting up credit growth limit for all the banking system and use instead other tool like stress test to control credit growth. Financial institution should be supervised based on their prudential ratio. The tool should allow SBV to become more proactive in managing the sector while provide sufficient flexibility for banks with low asset levels and high-quality portfolios.

Creating a more Attractive, Transparent and Stable Business Environment

We value our partnership and dialogue with the Government and appreciate Vietnam's efforts in administrative reform to improve the regulatory climate here. While we acknowledge the removal and simplification of some administrative procedures, recent laws and regulations continue to introduce new administrative procedures such as licensing, approvals, and heavy reporting requirements. We recommended that any additional administrative burdens in draft laws and regulations be carefully considered and avoided whenever possible.

As major investors here, American companies have an interest in Vietnam's continued success. The issues raised in this paper highlight our belief that the business climate can best be helped by actions that increase productivity and reduce the costs and risks of doing business in Vietnam. More importantly, decreasing the cost and complication of doing business will benefit Vietnamese-owned businesses - many of which are SME's - and will spur entrepreneurship, which will, in turn, ensure Vietnam's future competitiveness and growth. AmCham is committed to achieving sustainable growth in alignment with Environmental, Social, and Governance values. We will continue to play a helpful and constructive role, not just to complain but also to work to identify and implement solutions, and to be a strong advocate for a better business environment and a stronger private sector in Vietnam.

AmCham wishes good health, happiness and success to the leaders, distinguished guests, and our members here today, and we thank you for this opportunity to address the Vietnam Business Forum.

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POSITION PAPER OF KOREA CHAMBER OF COMMERCE IN VIETNAM AT ANNUAL VIETNAM BUSINESS FORUM

1. Work permit/visa/stay permit

Long time issuance of work permit: We are receiving complaints that it takes a lot of time from application to issuance of the work permit. Even after submitting documents for the first time, it often takes 2 to 3 months to obtain a work permit as documents are amended/supplemented. If there are documents to be supplemented, it will be possible to process them faster if you provide them in bulk at once, and we ask that you provide clear guidelines regarding the documents to be submitted first.

As of February 2021, work permit standards have been strengthened under Decree No. 152/2020/ND-CP, causing problems because it is not possible to obtain a 'expert work permit' if working experience in related field is less than 3 years.

There is a problem that graduates who have received managerial and job training for one year at the K-Move School, which is supported by the Korean government for youth employment, cannot receive a 'expert work permit' because they cannot complete the career period.

We ask for permission to issue a 'expert work permit' visa to them as they can play a role as experts through short-term but intensive job training at K-Move School. If it is difficult to issue a 'expert work permit', we request that the 'operating supervisor work permit' be issued as most of them play the role of manager within the company.

According to Article 9 of Decree No. 152/2020/ND-CP, required documents for experts or technicians are presented in detail, but specific documents are not provided for managers and operation supervisors. As a result, when applying for a work permit as a manager or operation supervisor, many cases are returned due to incomplete documents.

Managers and operation supervisors need specific documentation to apply for work permits, and are requested to submit documents uniformly in all regions.

2. Reinforcement of firefighting law regulations

Recently, there has been property damage and loss of life due to fires at local companies and liquor stores in downtown areas. Accordingly, the Vietnamese government has specifically instructed to strengthen firefighting-related management, and as a result, corrective measures are being executed in the construction of factories and firefighting permits, which have been carried out according to expedients and existing practices in the past, and stricter application of regulations when constructing new and expanded factories. (*January 3, 2023 Prime Minister's Order 'Directive on Reinforcement of Fire Management' sent to each central government department and local government competent agencies).

There are many complaints about new and increased investments due to strict requirements for firefighting permit (management). In particular, difficulties related to firefighting permits in Vietnam are being received, especially in Vinh Phuc and Bac Ninh provinces.

The Vietnam Fire Service Law is under the application of the Fire Protection Law (No. 40/2013/QH13) amended in 2013 and has been reviewing and licensing with the authority of each province until now. Even if the firefighting construction was performed at a lower level than the original regulations, such as using lights, it was possible to proceed with the approval of the firefighting permit without any problems. (A method for cost down from the point of view of a company).

A recent issue arises from conflicts with the current management regulations, which have strengthened firefighting permits and completion permits that were permitted at the time of building an existing plant when an additional plant is added in addition to the existing plan.

For example, in the past, it was not difficult to obtain permission even if a simple gypsum board or fire-resistant paint was used for factory fire walls, but recently, fire-resistant gypsum boards have been used. As a result, when a company builds an additional factory, the construction cost increases and the company is forced to comply with the current regulations even for the factory that was built and used in the past.

In applying the regulations, there are many cases where the local fire authorities' arbitrary interpretation is applied, and because of this, it takes up to 50 days or more to obtain firefighting authorization and permission. As advice from actual firefighting contractors, there is a view that gypsum board has its own fire resistance, but the regulation to use a separate fire-resistant gypsum board is an over-interpretation.

3. Cyber Security Act

Decree No. 53/2022/ND-CP of the Cyber Security Law (hereinafter Decree 53) came into effect in October of last year. The main points are as follows.

- Companies subject to data localization obligations are companies that manage and operate information such as e-commerce, online payment, payment brokerage, transportation linking services, social networks and social media, and online video games.
- Obligation to store data and open a branch or representative office in Vietnam in the event of a warning notice from the Department of Cyber Security and High-Tech Crime Prevention under the Ministry of Public Security of Vietnam regarding violations of the Cyber Security Law by these foreign companies.
- Fulfill the obligations of data storage and establishment of a branch or representative office in Vietnam within 12 months of receiving the decision of the Ministry of Public Security of Vietnam.
- For foreign companies, a force majeure clause has been added as an exception to the application of obligations related to data localization. In the event of such an event, the Ministry of Public Security of Vietnam must obtain confirmation of force majeure within 3 business days.
- Although it is stipulated that the form of data storage in Vietnam is determined by the company concerned, confusion may arise as no specific form of storage is provided.
- The Enforcement Decree related to the Personal Information Protection Act contains the punishment provisions for violation of the Enforcement Decree by personal information handlers.
 - (i) Clause 1 Article 22: imposes a fine of 50 million to 80 million VND for violation of the provisions and obligations of most of the provisions of the Decree; (ii) Clause 2: If technical measures for personal information protection are not implemented, If regulations for personal information protection are not enacted, In case of violation of the regulations on handling/processing registration of sensitive personal information, In case of violation of the regulations on cross-border movement of personal

information, a fine of 80 million to 100 million VND is imposed for the second violation of paragraph 1; (iii) Clause 3: In case of 3rd violation of Paragraph 1 and 2nd violation of Paragraph 2, 5% of the total sales of personal information handlers (company) is imposed; (iv) Clause 4 As an additional sanction, in case of violation of Paragraph 2, handling and processing of personal information can be suspended (1-3 months), handling and processing of sensitive personal information, and cross-border approval for personal information can be canceled.

- We have received complaints that some statutory provisions are still unclear and that the level of fines for violation of the Personal Information Protection Act is excessively stipulated.

4. Incentives for foreign-invested companies to support the parts and materials industry

On August 11, 2020, Vietnam announced its ‘Resolution for the Development and Promotion of the Parts and Materials Industry’, showing its policy direction to make the attraction of the parts and materials industry a key driving force for domestic industry development. (Vietnam announced the enforcement decree (No. 111/2015/ND-CP) related to ‘incentives for supporting companies in the parts and materials field’ as part of the 2015 support policy for companies in the parts and materials field).

In addition, there was a problem with corporate tax reduction benefits for companies that received certification for the parts and materials industry, so the corporate tax reduction benefits were smoothly implemented through the protocol (No.57/2021/ND-CP).

Since 2016, when the first enforcement decree took effect, the Vietnamese government has extensively publicized the support policy for parts and materials companies to attract foreign investment, but in reality, there are not many foreign-invested companies that have benefited from the investment incentives.

Korean companies, Vietnam's first investment country in the manufacturing sector, also want to benefit from the incentive benefits, but there are many cases where they are unable to utilize the support system due to unclear licensing and review standards.

It is necessary to provide guidelines that are more detailed than the Enforcement Decree, and to guide companies in charge so that demand companies can directly apply for and undergo screening. Even though companies have thoroughly reviewed the relevant enforcement decree, it is difficult to grasp the exact procedure, preparation documents, and standards, and the reality is that even when inquiries are made to the relevant agency, accurate explanations are not received.

It can be said that this does not match the purpose of the Vietnamese government for the first time, which was to ‘strengthen domestic industrial competitiveness by attracting investment from excellent foreign parts and materials companies’.

< Details of incentives to support the parts and materials industry in Vietnam >

- **Object**

- Foreign and domestic companies investing in the parts and materials industry designated by the government, seeking investment in the form of manufacturing investment or technology transfer in a total of six fields: 1) mechanical engineering field 2) electronic information technology field 3) automobile assembly and production 4) textile and clothing field 5) footwear and leather field 6) high technology field, etc (Applying the enforcement decree and enforcement rules for supporting the parts and materials industry in accordance with Decree 111/2015/ND-CP and Circular

55/2015/TT-BCT)

- **Details of support**

- **(Corporate income tax)** Corporate income tax exemption for the first 4 years, 50% reduction for the following 9 years, 10% preferential tax rate applied for 15 years from the year of business commencement.
- **(Import tax)** Import tax exemption for 24-seater vehicles, accessories, molds, accessories, raw materials, and construction materials not produced domestically.
- **(Investment support)** If the investment company is a small and medium-sized business, 70% of the investment is provided at a low interest rate through the guarantee of a credit guarantee institution.
- **(Special technology transfer support)** 50% subsidy for parts and materials industry trial production costs, government support for up to 75% of technology transfer costs for projects that produce products using metal/nonmetal/petrochemicals at least 85%.

5. Evaluation for issuance of Certificate of Origin

In issuing certificates of origin for exported goods, difficulties arise in issuing certificates of origin for companies due to differences in the interpretation of the criteria for determining the origin for each regional country of origin management.

- **Determination of applicable country of origin criteria**

The Korea-ASEAN FTA and the Korea-Vietnam FTA are based on the HS 2017 version, but with the recent effectuation of HS 2022, some HS codes have been changed or new issues have arisen regarding the criteria for determining the country of origin for each item applicable to products.

- **Analysis of origin determination criteria**

In the process of applying the criteria for determining the country of origin stipulated in the agreement, a difference in interpretation occurred. There are issues in interpretation, such as denying the final export price of finished products and calculating based on the ex-factory price, or expanding the scope of regional raw materials in the agreement.

6. JETP Signature for Vietnam Energy Transition

In December 2022, Vietnam signed the Fair Energy Transition Partnership (JETP) with nine countries, including the G7, and agreed to receive about \$15.5 billion in support for five years for clean energy transition.

In accordance with the JETP signature, the carbon emission peak period will be shortened from the previous 35 years to 30 years, and the capacity of coal-fired power plants will be increased from the existing target of 37GW to 30GW by 2030 in order to achieve the goal of reducing greenhouse gas emissions by approximately 500 million tons. reduction, and the renewable energy generation rate was raised from the previous target of 36% to 47%.

The Korean government, as a ‘comprehensive strategic partner’, actively supports the Vietnamese government’s efforts to respond to climate change and reduce greenhouse gas emissions, and will further strengthen cooperation in technology and manpower support so that the JETP implementation goals can be smoothly implemented.

Considering the target capacity of coal-fired power plants to be reduced by 2030, it is inevitable to switch to fuel and change business rights for the four existing coal-fired power plants under development, which require agreement and approval from Vietnamese government agencies.

Coal-fired power projects being developed by Korean power companies also fall under this category, and we request that the Vietnamese government actively support the clean energy transition process.

7. ABTC card issuance

ABTC (APEC Business Travel Card) is a measure to expand economic exchanges among APEC member countries, providing businessmen with the convenience of visas, as a system that guarantees speedy entry and exit through dedicated check-in lines in the airport, Vietnam is also proceeding with card approval as a member of 19 member countries of the ABTC.

ABTC, which is being issued with individual approval from 19 member countries, has recently been pending from the Vietnamese authorities, causing inconvenience to businessmen of member countries doing business with Vietnam.

According to the data of the Korean Ministry of Justice, the Vietnamese government announced that it had suspended approval work since February 2020, but resumed it from April 2022.

According to the data below, the recent approval status is not a significant figure. We request prompt approval of the ABTC system for smooth economic exchange with Vietnam, a major axis of the APEC economy.

Status of approval by the Vietnamese government by application period
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- January - May 2021: Approval of all applications received

- June 2021 - December 2022: Approval less than 10 applications

In the case of Korea, in accordance with the provisions of the Foreign Investment Promotion Act, foreign-invested companies that have invested more than USD 1 million in Korea can also apply for ABTC. On the other hand, according to the ABTC regulations of the Vietnamese government, it is stated that only Vietnamese companies can apply for ABTC.

Since the basic conditions for applying for ABTC are made in the country where the company is located, we request that foreign-invested companies that have invested directly in Vietnam also be able to apply for ABTC, as well as improve the discriminatory factors against FDI companies.

8. Global Minimum Tax

We request the early operation of the government task force related to the global minimum tax, and hope that the legislative research and legislative process will be implemented as soon as possible.

9. Enhanced environmental impact assessment criteria

In accordance with the revised Vietnam Environment Act, when the environmental impact assessment approval agency is changed from the existing provincial government to the central government agency depending on the possibility of generating pollutants and the amount of production, the time and cost of issuing a permit for an environmental impact assessment report increase, which acts as a burden on business activities.

The appendix of the amended Environment Law (08/2022/ND-CP) stipulates the List of types of production, business and service likeness to cause environmental pollution. If this standard (weight of 1,000 tons or production of more than 1 million units per year) is exceeded, approval

from the Ministry of Environment and Resources must be obtained regardless of whether or not environmental pollution occurs.

Electrical and electronics industries often produce more than 1 million units a year, so most electrical and electronics companies, regardless of whether they are new or expanded, have to obtain permission from the central government again even if they have previously received environmental impact assessments from local governments.

Since production activities are not allowed before obtaining permission, there are concerns that excessive time and cost will be incurred in undergoing environmental impact assessment. For reference, we have learned it is necessary to obtain re-permission for environmental impact assessment from the central government, process is as follows: Professional company consulting (2-3 months) → Document submission and review (2-3 months) → Approval (3-4 months)

During the environmental impact assessment, please realistically adjust the criteria for examination by the central government.

Existing environmental impact assessment review and approval process

- Processing period: 30-40 days
- Reception: Provincial Investment Planning Bureau and Industrial Complex Management Committee
- Process: Investment Planning Bureau and Industrial Complex Management Committee reception (1 day) → Provincial Resources and Environment Bureau transfer (25 days) → Provincial People's Committee final review (3 days) → Approval for review (1 day)

10. Deregulation of interest rates on dollar deposits

Due to the State Bank of Vietnam's US dollar deposit interest rate regulation (0% interest rate) that took effect in December 2015, companies operating in Vietnam are constantly experiencing opportunity costs related to US dollar deposits. (Decision No. 2589-QD-NHNN, effected in December 17, 2015 of State Bank of Vietnam)

Korean manufacturing companies entering Vietnam usually import raw materials from outside Vietnam and then export finished products to overseas areas, so holding a certain level of US dollar deposits is essential.

As the US Federal Reserve raises interest rates (0.25→4.50%) in 2022 and further hikes in 2023, high interest rates are expected to continue for a substantial period of time, the opportunity cost of USD deposits for Korean companies investing in Vietnam is increasing rapidly, becoming a burden on business activities.

We request to ease regulations on interest on dollar deposits (maximum interest rate of 0%) for companies that have dollar deposits of a certain amount or direct investment (FDI) of a certain amount or more, at a level that complies with the background and purpose of the relevant regulations.

11. The issue of prohibition of residence of foreign workers in the industrial complex

Pursuant to Decree No. 35/2022/ND-CP issued on May 28, 2022; on July 13, 2022, the Dong Nai Industrial Park Management Committee issued Official Letter No. 2124/KCNDN-LD on the

implementation of regulations on the residence of foreign workers at the corporates. The Immigration Department of the Dong Nai Provincial Police Department implemented the contents of the decree leading to some difficulties.

Accordingly, Decree No. 35/2022/ND-CP stipulated that: *“Accommodation facilities within the complex are built in the service area within the complex. It must be an environment in which a safe distance can be secured in accordance with the Construction Act and other related laws. It must ensure security and order and not affect the production and business activities of enterprises in the industrial park.”*

- From July 15, 2022, measures to suspend the registration of residence reports of foreign workers who wish to newly reside in companies within the industrial park.
- For foreign workers currently residing, according to Decision 07/2016/QĐ-UBND dated February 4, 2016 of the People's Committee of Dong Nai Province, the Management Committee will coordinate with the sectors and the Provincial Police to report to the People's Committee for consideration and implementation of the residence according to the regulations, or proposal to allow residence until July 15, 2023, then the company will terminate the residence at the company according to Decree No. 35/2022/ND-CP.

Due to the above dispatch, the Immigration Department of the Dong Nai Provincial Police Department and the Industrial Park Police are currently suspending the registration of new temporary residence for foreign workers and foreign workers transferring from the application form. another person (same group) through working, affecting the issuance or renewal of a work permit/temporary residence card.

In the case of an industrial complex located on the outskirts of the city, there are many things to consider when selecting foreigner residence facilities, such as distance between companies, security and safety for foreigners, and facilities that match the living environment of foreigners, among foreign-invested companies that have entered the complex, companies that operate foreign dormitories are experiencing difficulties.

Regarding the operation of dormitories for foreigners in the complex, the problem is that there is a conflict between the existing Dong Nai Provincial Enforcement Decree (accommodation facilities are installed in areas that must be separated from production workplaces, and accommodation facilities only need to be simply separated from the factory building) and Protocol published on May 28 last year (Article 25. Accommodation facilities are installed in the service land area of the industrial complex, not simply separated from the factory building, but installed in a separate space outside the factory site).

With the current protocol in effect, the law is interpreted as allowing foreign workers to live only in spaces permitted as housing areas within the industrial complex, despite the above problems, Dong Nai Province applies the regulations first compared to other provinces and cities and announces the implementation of follow-up measures, which raises the issue of residence status for foreign workers in companies that operate existing dormitories.

Furthermore, if the existing industrial complex currently has a housing area or if there is no licensed industrial complex, in most cases, there is no clear information on whether the new land purchase plan and housing area permission procedure of the existing corporation are possible, and the majority of foreign-invested corporations engaged in production activities in the corporation are subject to it, adding to the confusion.

Accordingly, as before the entry into force of the Central Government Protocol we ask for the cooperation of related organizations so that Foreign workers are allowed to live in company dormitories and recreational facilities, and normal company operation can be ensured by guaranteeing the legal residence report and right to stay of foreign workers working in foreign-invested companies with normal residence reports.

Specifically, if a dormitory or shift worker's leave facility has already been registered before the Enforcement Decree and foreigners are allowed to live, and a normal residence report is made, foreign workers can be accommodated. In addition, if the notation on the building ledger is “a facility other than a dormitory” and can be used as a fire safety facility in accordance with Vietnamese laws and a residential facility in accordance with various regulations, we request that foreign workers be permitted to reside and report normal residence.



SPEECH OF JAPANESE CHAMBER OF COMMERCE IN VIETNAM AT ANNUAL VIETNAM BUSINESS FORUM

His Excellency Prime Minister Pham Minh Chinh,
Ladies and Gentlemen,

I am Nagaoka, Chairman of the Japanese Chamber of Commerce and Industry in Vietnam or JCCI.

It is a great honour to have this opportunity to deliver a short remark from Japanese perspective.

Today I will touch upon Japan's cooperation with Vietnamese government to foster green growth. Vietnamese government has announced to achieve carbon neutrality by 2050, Japan welcomes this move.

Government of Japan has launched “Asia Energy Transition Initiative (AETI)”, which includes knowledge sharing, technology development and deployment of decarbonisation and 10 billion USD financial assistance to push forward energy transition. One step further, Prime Minister Kishida proposed “Asia Zero Emissions Community (AZEC)” concept to His Excellency at his visit to Vietnam last April.

In this concept, to achieve both sustainable growth and carbon neutrality amid growing energy demand in Asian countries, GOJ is willing to cooperate with ASEAN countries to achieve pragmatic energy transition with providing various financial and technical support for the demonstration and introduction of decarbonization technologies.

In line with this initiative, Japanese companies would like to contribute to a realistic energy transition in Vietnam by promoting the private investment and social application of decarbonization technologies necessary for the carbon neutrality goal.

As one example, Ministry of Industry and Trade of Vietnam, Embassy of Japan in Vietnam and JCCI jointly organized a workshop on Vietnam-Japan cooperation for the development of power and energy fields from the decarbonisation perspective.

It was very meaningful opportunity to share information and exchange opinions on various aspects of Japanese energy strategy toward carbon neutrality, state-of-the-art decarbonization tech and financing methods for infrastructure development.

Since Japan has similarities to energy structure and energy security to Vietnam, I think various Japanese decarbonisation measures such as zero-emission thermal power technologies, energy-saving technologies by consumer side as well as on-site power generation and storage, have a high affinity with Vietnamese energy policy.

To promote further cooperation with Vietnamese government in future, we have 4 requests as following.

First, sooner official release of National Power Development Plan phase 8 (PDP8).

Amidst growing electricity demand, Vietnam is facing with power shortage especially in industrial parks in northern country. For this, early release of PDP8 is essential to ensure investments in power generation in line with the growth of the economy.

In recent years, Japanese companies have been increasing investment projects in Vietnam for growing demand of renewable power generation. However, the delay in PDP8 has seriously affected not only the renewable power plants, but the linking industries such as biomass fuel production, which have been halted. I would like to reiterate our request for the early release of PDP8.

Second, early implementation of gas-fired power generation.

Gas-fired power generation contributes to meet the rapidly increasing demand for electricity as well as to facilitate the introduction of renewable energy.

Third, amendment of the existing investment and PPP laws.

Large-scale power generation projects such as gas-fired power generation and offshore wind power generation cannot be fully implemented by Vietnamese companies and local banks alone in terms of technology and finance, and it is essential to attract foreign companies and financial institutions.

However, the current system provides insufficient or uncertain support for investors, which undermines the predictability and bankability of foreign-invested companies.

Finally, promotion of rooftop solar power and early introduction of Direct Purchase Power Agreements (DPPAs) for the purpose of promoting renewable power.

We would also ask to relax the eligibility requirements under current DPPAs, which to purchase at least 30 MW per customer.

In closing, this year marks the 50th anniversary of the establishment of diplomatic relations between Vietnam and Japan.

Both countries have always had a mutually beneficial relationship, and this relationship is growing stronger. We hope to further develop the friendly relationship between our two countries under the motto of “Việt Nhật đồng hành, Hướng tới tương lai – Vươn tầm thế giới”.

I have expressed my views on behalf of JCCI above.

His Excellency's support and guidance would be highly appreciated.



SPEECH OF BRITISH CHAMBER OF COMMERCE AT THE ANNUAL VIETNAM BUSINESS FORUM

Dear Prime Minister Chinh, Minister Dung, guests, and colleagues,

The British Chamber of Commerce would like to thank the Vietnamese government and related agencies for supporting businesses and promoting Vietnam's success, especially during these challenging times.

As we celebrate the 50th anniversary of UK-Vietnam diplomatic relations and the first year of the Free Trade Agreement, we applaud the increase in trade between our two countries by over 16%, despite the pandemic. British businesses look forward to continued growth in trade and investments, and our eventual accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

We appreciate Vietnam's commitments to zero net emissions at COP26 and the government's effort to drive this agenda. This has attracted British investment into Vietnamese renewable energy, particularly offshore wind power projects. We recommend the early finalization of PDP8, which prioritizes renewable energy sources to minimize negative environmental impacts caused by electricity production.

We are pleased to witness the historic agreement on the Just Energy Transition Partnership between Vietnam and international partners. British business has made commitments to assist in arranging financing for sustainable projects in Vietnam.

To achieve the ambitious goals, we recommend the government to provide incentives for manufacturers/importers using PCR to replace virgin plastics in their packaging and provide carbon credits for enterprises implementing decarbonization initiatives.

The early opening of Vietnam's borders was vital for businesses to recover from 2020 and 2021. However, a greater issue for British and other investors is the strict application of visa and work permit rules, causing a loss of confidence in Vietnam's commitment to encourage foreign funding and facilitate the entry of non-nationals employed by British companies.

BritCham supports the Vietnamese government's efforts to promote sustainable tourism practices. Prioritizing sustainability can make Vietnam a leading destination for eco-tourism, benefiting the environment, local communities, and the tourism industry.

We also see potential in the healthcare sector and urge the Government to improve access to innovative medicines, accelerate digital health, encourage clinical trials, and facilitate technology transfer for local medicine manufacturing.

We welcome legislative changes to align Vietnam's regulations with international practices, particularly the revisions of the Pharma Law, Health Insurance Law, Tender Law, Price Control Law, and Consumer Protection Law. We hope these revisions will create a positive impact on

people's access to medicines, through simpler and fairer procedures in drug registration, procurement, reimbursement, and effective IPR enforcement.

We request strengthened inter-government alignment and a clear process for obtaining licenses with strict timescales and an appeal line to remove barriers hindering the growth of the education sector.

In conclusion, British businesses are optimistic about the contribution to Vietnam's economy across all sectors. We urge the government to ensure robust and consistent policy-making to enable businesses to grow and develop with confidence.

We wish you all a successful year of the Cat.

Thank you.



POSITION PAPER OF BRITISH CHAMBER OF COMMERCE IN VIETNAM AT ANNUAL VIETNAM BUSINESS FORUM

Dear H.E. Prime Minister Chinh and MPI Minister Dung, esteemed guests and colleagues,

On behalf of the British Chamber of Commerce, I would like to extend our heartfelt thanks to the government and related agencies for your unwavering support to businesses in Vietnam's continued success and development, especially during these challenging times.

As we mark the 50th anniversary of UK-Vietnam diplomatic relations and the 1st year of the implementation of the Free Trade Agreement, we celebrate the growth in trade between our two countries, which has already seen an increase of over 16% despite the pandemic. UK business looks forward to continued growth in trade and investments, and our eventual accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which will further bolster UK-Vietnam trade and pave the way for high-level bilateral visits.

The Chamber would like to take this opportunity to once again say how we highly appreciate the Vietnamese commitments to zero net emissions at COP26 and the Prime Minister and the accumulated government's effort to drive this agenda. This is attracting further British investment into Vietnamese renewable energy, typically offshore wind power projects, with the UK currently being a leader in offshore wind power. BritCham, like other players in the industry, is looking for the early finalization of PDP8 which prioritizes renewable energy sources to minimize negative impacts caused by electricity production on the environment. Besides, DPPA (Direct Power Purchase Agreement) is an important mechanism to attract private investments to green energy projects. Approval of DPPA could unlock huge financial resource from the private sector.

We are pleased to witness Vietnam and its international partners, including the European Union, the UK, France, Germany, the US, Italy, Canada, Japan, Denmark, and Norway, reached a historic agreement on the Just Energy Transition Partnership on December 14th, 2022. It is estimated that the financial resources needed to achieve this goal are in the range of USD 15 - 16 billion per year through 2030. This is a large number that requires coordination from public and private sectors.

British business has had a deeper awareness and clearer action in accordance with the direction of the Government. Some banks have made commitments to assist in arranging direct and indirect financing for sustainable projects, businesses in Vietnam (Standard Chartered Bank signed a Memorandum of Understanding to commit to sponsoring USD 8.5 billion, HSBC USD 12 billion by 2030).

To achieve the ambitious goals, we also recommend Government to have a mechanism and incentive for manufacturers/importers who are using PCR (Post Consumer Resin) to replace virgin plastics in their packaging, which is the key enabling factor for circular economy in plastics to develop; provide carbon credit for enterprises that implement decarbonization initiatives e.g. tree planting.

The early opening of Vietnam's borders was vital, in enabling companies generally recover from 2020 and 2021. Whilst the UK appreciates the visa waiver granted to the UK together with four other European countries. However, a greater issue for British and other investors currently is the

strict application of the rules concerning visas, work permits, and temporary residence cards for workers and investors alike. This is really causing a loss of confidence on the part of investors in Vietnam's commitment to encourage foreign funding and facilitating the entry of non-nationals employed by British companies.

During the pandemic period, many businesses have been hard-hit. We appreciate the timely and practical actions by the Government and National Assembly to help the economy and the business community overcome difficulties caused by the pandemic. To help businesses recover and grow sustainably, we suggest the Government consider an extension of the two percent VAT reduction policy for an additional year.

Throughout the pandemic, healthcare has been proven as a sector that has immense impact on the society and the economy. It is also the sector in which Vietnam and the UK have built a deep and sustainable partnership. We are confident in the potentials of Vietnam to become a center of life sciences in Southeast Asia, a regional R&D center, and a production hub of innovative medicines in the near future, should investment-attracting policies are effectively designed and implemented. Important elements would entail improving people's access to innovative medicines, accelerating digital health, encouraging clinical trials in Vietnam, as well as facilitating technology transfer for local medicine manufacturing.

We are glad to see progress to expand access and look forward to further legislative changes, such as the revisions of the Pharma Law, Health Insurance Law, Tender Law, Price Control Law, and Consumer Protection Law, accelerating the revision of cosmetics advertising regulations, to align Vietnam's regulations with international practices. We strongly hope that these revisions will create positive impact on people's access to medicines, through simpler and fairer procedures in drug registration, procurement, reimbursement, and a more effective and meaningful IPR enforcement. Additionally, we would like to see the development of the capital markets with stronger regulations and a diversification of products. We also hope to address the multiple inspections faced by businesses and the unreasonable fines and penalties imposed with no appeal process other than the court system.

Given the current economic conditions of increasing inflation and interest rates in Vietnam, there is a concern regarding the regulations that do not apply interest to foreign currency accounts. This implies that exporters who receive significant amounts of foreign currency tend to take it out of the country instead of keeping it in a non-interest bearing account or converting it to VND. This is a cause of concern for many multinational corporations operating in the country. Hence, we suggest reviewing these regulations to ensure a competitive environment.

Education has always been a priority in the UK-Vietnam strategic partnership, but barriers such as lengthy and complex procedures in securing licenses to establish and operate educational premises, as well as the lack of inter-government alignment, are hindering the sector's growth and openness to international business. We request strengthened inter-government alignment and a clear process for obtaining licenses with strict timescales and an appeal line.

To conclude, your excellency PM Chinh, the outlook and contribution of British businesses to the continued re-generation and growth of Vietnam's economy is very positive across all sectors. The key to maximizing this success is robust and consistent policy making allowing businesses to grow and develop with confidence.

On behalf of the Chamber as well as the wider British community, I would like to wish you and all present here, a successful year of the Cat.

Thank you.

**SPEECH OF ASSOCIATE CHAMBERS
AT THE ANNUAL VIETNAM BUSINESS FORUM**

Xin Chao, Toi ten la David Whitehead. Tôi đến từ Auscham và hôm nay tôi đại diện cho các thành viên Hiệp hội của VBF. Xin loi, tôi sẽ phát biểu bằng tiếng Anh.

I am from Auscham and I also have the honor today to represent the Associate Consortium Members of the Vietnam Business Forum.

Individually, we do not have the economic and numeric firepower of the large Consortium member Chambers, but we total 9 Chambers of Commerce and Business Associations with a total member base of around 4,500, representing billions of dollars' worth of Foreign Direct Investment in Vietnam since 1998.

You have already heard from my colleagues representing the Consortium members of the VBF and many of the issues raised are equally applicable to the Associate Chamber members. Foreigners working in Vietnam must be innovative, adaptable and resilient. Certainly, the issues faced by expat foreign business investors in Vietnam during and post the COVID 19 pandemic, have been particularly challenging.

In 2022, we saw continuing rises in freight rates, fuel and transport costs, and the cost of production generally. And of course, the conflict between Russia and Ukraine has required a shift of market focus away from Eastern Europe.

Ease of doing business, including continuing administrative reform, with general and administrative functions being optimized for speed and flexibility by eliminating the silos that traditionally occur between different departments, is an urgent requirement (this will drive better cross-department coordination and allow leaders to realign staff more efficiently), and the use of single window arrangements in all government services are essentially the issues that need further attention, for all foreign enterprises.

Operational costs such as increases in the cost of production due to inflationary pressure and higher cost of materials, have directly affected the manufacturing sector in particular.

Significant difficulties during and post-COVID have been experienced, however, over the last few months of 2022, and in the first quarter of 2023 there have been signs of recovery, specifically with the return of foreign investors to Vietnam, providing opportunities for service industries in particular.

2023 will bring into stark relief a number of important business related issues for us, not the least of which is effective environmental management and responsibility. ESG requirements and using "green" processing methods. We are all cognizant of the need to work with the Vietnamese government towards fostering Green Growth in all our industry sectors.

It would be helpful if the government considered reducing or removing fuel taxes and levies; Customs clearance procedures should be expedited, and cargo handling capacity needs to be increased by improving capacity at sea ports, airports and at main border gates. We look for government support for leading businesses and FDI enterprises in important sectors such as aviation, transport, construction and distribution.

The International Labor Organization estimates there will be huge increases in unemployment as a result of the COVID pandemic. We need concentration on job creation and speeding up funds disbursement for key projects to alleviate this problem.

Members and their companies lack skilled manpower with good operational and technical knowledge to be able to move forward in these difficult times. Vocational and technical training opportunities are desperately needed.

We need increased investment in transport and infrastructure projects, development of routes linking major population centers, and prioritization of climate, environmental, and food security projects, such as salinity intrusion in the Mekong Delta region.

COVID -19 has shown that an economy heavily reliant on the value chain in other countries is highly vulnerable once there is supply chain disruption.

And we recognize that large countries and multinational organizations have realized clearly that dependence on China is a high risk strategy. And they are taking steps to relocate most production systems back to their home country or to other countries to diversify supply sources, shorten supply chains and minimize risk. This presents a great opportunity for Vietnam in general and for FDI in particular.

The increase in the cost of manufacturing has impacted, and will continue to impact Vietnam's ability to sell on the global market. Rising inflation and ongoing increases in commodity prices, particularly for imported materials, increase the cost of manufacture and have a direct and detrimental effect on the business bottom line.

Rising labour costs also continue to directly increase cost of production. Higher wage demand needs to be passed on to customers, increasing prices.

Disrupted supply chains and increased costs of logistics have added to the cost of manufacture. Significant disruption to supply chains, including port delays and increases in freight rates and Customs services have adversely affected the ability of companies to compete in the international market place and to join the global supply chains.

Disruption to education services severely have affected many Australian colleges and universities, with huge reductions in the numbers of Vietnamese students studying at Australian universities and schools in Vietnam, and particularly large reductions in those who wished to study overseas. And rising costs are also affecting pharmacy medicine production, reducing the opportunities for poor communities and families to access required affordable medicine.

Tax exemptions and tax support is continuously required for FDI businesses; in order to encourage new international entries, as well as ensuring continuity of existing business operations.

The need to revitalise tourism and to re-activate the hospitality sector is a necessity to attract tourist spending, and to stimulate the flagging tourism sector. There are 25 countries that have visa exemption arrangements for short term tourism for entry, exit and transit to Vietnam, usually for 15 days. Australia is not included in this list for example. We urge the government to review the possibility of granting visa exemption arrangements for Australian passport holders in line with the 25 countries already granted visa exemption.

Thank you for your attention.

POSITION PAPER OF ASSOCIATE CHAMBERS AT ANNUAL VIETNAM BUSINESS FORUM

Australians are known to be innovative, adaptable and resilient. Certainly, the issues faced by expat Australian foreign business investors in Vietnam during and post the COVID 19 pandemic have been particularly challenging.

In 2022, we saw continuing rises in freight rates, fuel and transport costs, and the cost of production generally. And of course, the conflict between Russia and Ukraine has required a shift of market focus away from Eastern Europe.

Ease of doing business, including continuing administrative reform, with general and administrative functions being optimised for speed and flexibility by eliminating the silos that traditionally occur between different departments is an urgent requirement. (This will drive better cross-department coordination and allow leaders to realign staff more efficiently), and the use of single window arrangements in all government services are essentially the issues that need further attention, not just for Australian, but for all foreign enterprises.

Operational costs such as increases in the cost of production due to inflationary pressure and higher cost of materials, have directly affected the manufacturing sector in particular.

Significant difficulties during and post-COVID have been cited by most Auscham members, and most businesses have been affected adversely to one degree or another. However, over the last few months of 2022, there were signs of recovery specifically in logistics and supply chain improvement, and the return of foreign investors to Vietnam, providing opportunities for service industries in particular.

Short Term difficulties

It would be helpful if the government considered reducing or removing fuel taxes and levies, which are among the largest costs for the transport sector, and other charges to reduce fees for road transport, we also look for direct support for the aviation sector.

Customs clearance procedures should be expedited, and cargo handling capacity needs to be increased by improving capacity at sea ports, airports and at main border gates. We look for government support for leading businesses and FDI enterprises in important sectors such as aviation, transport, construction and distribution.

The International Labor Organisation estimates there will be huge increases in unemployment as a result of the COVID pandemic. In Vietnam, the government should concentrate on job creation by speeding up funds disbursement for key projects.

We suggest that the government should increase investment in transport and infrastructure projects, develop routes linking major population centres, and prioritise climate, environmental, and food security projects, such as salinity intrusion in the Mekong Delta region.

Medium term Issues

COVID -19 has shown that an economy heavily reliant on the value chain in other countries is highly vulnerable once there is supply chain disruption.

Auscham recognises that large countries and multinational organisations have realised clearly that dependence on China is a high risk strategy. And they are taking steps to relocate most

production systems back to their home country or to other countries to diversify supply sources, shorten supply chains and minimise risk. This presents a great opportunity for Vietnam in general and FDI in particular.

Member comments on the effects on business performance:

- The increase in the cost of manufacturing has impacted, and will continue to impact Vietnam's ability to sell on the global market.
- Rising inflation and ongoing increases in commodity prices, particularly for imported materials, increase the cost of manufacture and have a direct and detrimental effect on the business bottom line.
- Rising labour costs also continue to directly increase cost of production. Higher wage demand needs to be passed on to customers, increasing prices.
- Disrupted supply chains and increased costs of logistics have added to the cost of manufacture. Significant disruption to supply chains, including port delays and increases in freight rates and Customs services have adversely affected the ability of companies to compete in the international market place and to join the global supply chains.
- Disruption to education services severely have affected many Australian colleges and universities, with huge reductions in the numbers of Vietnamese students studying at Australian universities and schools in Vietnam, and particularly large reductions in those who wished to study overseas.
- Rising costs are also affecting pharmacy medicine production, reducing the opportunities for poor communities and families to access required affordable medicine.

Proposed Solutions

- Tax exemptions and tax support from the government is continuously required for FDI businesses; in order to encourage new international entries, as well as ensuring continuity of existing business operations.
- We need to continue to ensure COVID-safe government public health and medical policies and practices to make sure that all people remain safe and healthy, and that there is guaranteed business continuity, and minimal disruption.
- We would like to see the government develop more flexible labour laws including casual and part-time service arrangements, as opposed to fixed term contracts. Flexibility of employment arrangements allows companies to respond quickly to changing demand and react more favourably to market requirements. And of course, improved and faster processing of work visas would be welcome.
- To improve logistics and supply chain management, more support on Customs declarations and clearance would be helpful. Together with more automation and improved turn-around time on import/export, including easier application processes, particularly use of National Single Window arrangements to improve processing efficiencies.
- Of course, Vietnam would attract more FDI business if there was improved infrastructure; heavy transport roads and highways, deep water ports, investment in public works and utilities including reliable electricity and internet access. More favourable deals for FDI businesses would be welcomed, including access to land, industrial zone management, and land and tax incentives.
- The need to revitalise tourism and to re-activate the hospitality sector is a necessity to attract tourist spending, and to stimulate the flagging tourism sector. There are 25 countries that have visa exemption arrangements for short term tourism for entry, exit and transit to Vietnam, usually for 15 days. Australia is not included in this list. We urge

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**ROLES AND RESPONSIBILITIES OF
BUSINESSES TOWARDS
SUSTAINABLE DEVELOPMENT &
ENHANCING COMPETITIVENESS**

POSITION PAPER OF BANKING WORKING GROUP

SUMMARY OF TECHNICAL ISSUES

Notes:

A) GROUP 1: *Issues brought forward from 2021 under the mandate of the State bank of Vietnam and to be followed up in 2022 and new issues in 2022*

A.1. Issues addressed by sbv in 2021 and to be followed up in 2022

A.2. New issues in 2022

A.3. Issues that require bilateral cooperation between the two parties, SBV has acknowledged and will take into account when amending SBV's circulars and decrees

B) GROUP 2: *Issues that relate to the competence & responsibilities of other line ministries*

C) GROUP 3: *Issues handled in 2022*

NO.	ISSUE	PROGRESS & DESCRIPTION	CONCLUSION
A) GROUP 1: ISSUES BROUGHT FORWARD FROM 2021 BY THE STATE BANK OF VIETNAM AND TO BE FOLLOWED UP IN 2022 AND NEW ISSUES IN 2022			
A.1. ISSUES ADDRESSED BY SBV IN 2021 AND TO BE FOLLOWED UP IN 2022			
1.	(BWG AML SC) Anti-Money Laundering (AML Law) & Draft Regulations (Decree, Circular guiding AML Law)	<p>After discussions in 2020 and at the meeting between the BWG and the AML Department on January 15, 2021, BWG continues to closely coordinate and work with the AML Department to comment on the drafting of the Draft AML Law through official letters and technical meetings.</p> <p>At the meeting on August 11, 2022 with the AML Department, the BWG proposed to continue discussing some important issues as follows:</p> <p><i>I. Issues on CIP-KYC customers Identification</i></p> <p>1. The definition of beneficial owner does not include institutional customers and whether documents and data related to beneficial owners issued by the customers themselves are approved or not (Article 3; Article 12).</p>	BWG continues to coordinate and work with the AML Dept Banking Supervision Agency in the process of amending the AML Law and related regulations.

		<p>2. Irregular transactions; Large value transactions need more specific regulations (Article 9)</p> <p>3. Identification information (CIP) and additional information for understanding the Customer (KYC) need to be distinguished (Article 10)</p> <p>4. It is necessary to clearly specify whether the founder, the legal representative of the institutional client needs to be verified or not and in some special cases such as the Branch/Representative Office/Executive Office of a foreign organization (Art. 10 and 21)</p> <p>5. Allow verification of customer information through a third party “Third party does not include agency and outsourcing relationships” (Article 14)</p> <p>6. Customer risk classification according to Article 16 and application of simple customer identification measures</p> <p>7. Verify the source of wealth/ assets of the Client and the beneficial owner as PEP (Article 17)</p> <p><i>II. Issues on Transaction Monitoring</i></p> <p>8. Procedure post the suspicious transactions reporting (Article 24)</p> <p>9. Suspicious signs (Article 26)</p> <p>(i) Foreign enterprises transfer money abroad immediately after receiving money; (ii) use personal accounts to make transactions related to company activities; (iii) Online transactions through accounts that are constantly changing in terms of login device, Internet protocol address (IP address) abroad.</p> <p><i>III. Issues on reporting</i></p> <p>The definition of an electronic money transfer needs further clarification to clarify the scope; the originator's information is mandatory and only reports suspicious transactions of electronic money transfers where the bank has reasonable grounds to suspect. (Article 3, Article 27).</p> <p>At the meeting on August 11, 2022, BWG received answers and instructions from the AML Department for appropriate implementation. Part of the important and relevant proposals have been recognized by the AML Department and considered for amendment in the Draft Law. Other technical proposals will continue to be considered during the development of relevant Decrees and Circulars.</p> <p>SBV & BWG agreed that the reporting organizations must make best effort to comply with the current anti-money laundering laws - regulation and will continue to cooperate, exchange</p>	
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		information and solve problems.	
2.	(BWG LC SC) Decision No. 1913/2005/QD-NHNN on the regime of keeping/ archiving accounting documents in the banking sector	<p>BWG sent comments to the SBV on March 2, 2021.</p> <p>3. Amending Decision 1913/2005/QD-NHNN on the regime of keeping accounting documents in the banking sector.</p> <p>We recommend that this document be reviewed, revised and supplemented to suit the new situation, especially in the 4.0 technology era when many documents have been stored electronically.</p> <p><u>SBV's response in 2022:</u></p> <p><i>SBV has sent Official Letter No. 4732/NHNN-TCKT dated June 28, 2022 to the Ministry of Finance on the current situation and problems of credit institutions with respect to regulations on accounting documents and archiving of accounting documents related to the Law of Accountant. In the coming time, the SBV will continue to work with the Ministry of Finance regarding this issue.</i></p>	BWG continues to coordinate and work with the State Bank of Vietnam.
3.	(BWG Consumer Finance) Controlling card transactions based on MCC and the responsibility of the issuing bank in controlling POS	<p><u>2021:</u></p> <p>BWG sent official letter No. 210615BWGVBF on June 15, 2021. Accordingly, BWG presented difficulties and false warnings/hits of card issuers when applying control measures, includes blocking fictitious payments/cash withdrawals based on some common MCC codes (such as 4900, 5411, 5499, 5541, 5542, 5172, 6300), combined with allowable transaction value thresholds.</p> <p>SBV has provided a number of guiding documents the BWG, which included responses to the recommendations at Document No. 210615BWGVBF (Document No. 5913/NHNN-TT dated August 17th, 2021 on a number of issues related to the supervision and reporting of credit card transactions as advised by the Department of Payment, Document No. 980/Cuc V.1 dated October 4th, 2021 as advised by the Department of Anti-Money Laundering).</p> <p>In terms of issues related to anti-money laundering, SBV recognized the difficulties and barriers in the provisions of the law on anti-money laundering related to the reporting entities and reporting information in the “cardholder - card issuer – merchant - card acquirer mentioned by BWG in Document No. 210615BWGVBF and which will be studied and considered during the amendment of the Law on Anti-money laundering, relevant guiding documents and other regulations.</p> <p>BWG continued to expand the issue related to the control of online game transactions and has actively discussed with the SBV and the Ministry of Information and Communications in 2021.</p> <p><u>2022:</u></p>	In 2022, BWG & SBV actively exchanged, responded and continued to coordinate & implement in 2023.

		<p>1. In Official Letter No. 06062022BWGVBF dated 06/06/2022 sent to the State Bank of Vietnam (Department of Payment, AML Dept. - Banking Supervision Agency) and VNBA, BWG has: (i) reported on the progress of implementation, coordination - active exchange with VNBA, however, results have not been achieved yet due to the principles of foreign banks members of BWG on information confidentiality for third parties who are not the State Bank or Competent Authorities, so (ii) BWG is still actively collecting the reporting information based on available internal data sources to promptly report suspicious transactions.</p> <p>2. BWG sent Official Letter No: 081122BWGVBF dated November 8, 2022 - Proposing exemption from reporting of suspicious transactions for fictitious payment/transactions at merchants (not associated with sales of goods and provision of services) as prescribed. in Article 8, Circular 19/2016/TT-NHNN – specifically the case where the customer only conducts a fictitious transaction at the merchant without any signs of suspicious transactions related to money laundering, typically as follows:</p> <ul style="list-style-type: none"> a. Payment transactions - spending on credit cards with a total or approximate value/ amount match made in a short time (same day, or within a number of days), going on for months (typical sign). b. The amount of payments – spending on credit cards for the month at merchants can be close to the card's credit limit, take place in consecutive months and often repeat. c. The value of each transaction or the total value of the transactions at the above POS/merchants are mostly made with full or approximate value/amount (infrequent sign, not necessarily for fictitious payment/transactions). d. These transactions involve only a few single individuals and there is no sign of a 3rd party/group depositing cash or transferring money payments to multiple credit card holders for unclear purpose of transactions and relationships. <p>In this case, the Bank does not have reasonable grounds to identify whether these transactions' information is for the purpose of concealing the origin of the proceeds of crime, or constitutes the crime of money laundering as prescribed in the Civil Code 2015.</p> <p>BWG propose to be exempted from reporting suspicious transactions under Article 22 of the Law on Anti-Money Laundering for fictitious transactions at merchants with the above signs. Instead, the bank will update the records of income information and payment sources for the above customers. At the same time, in addition to requiring the issuer to report suspicious POS/merchants, the State Bank may consider asking the card issuer to make statistical reports on Card operations performing prohibited transactions according to the provisions of Article 8 of Circular 19. Cases in which the</p>	
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		<p>card users conduct fictitious transactions with suspicious transaction signs related to the source of money or suspected money laundering, banks continue to report suspicious transactions as required.</p> <p><u>Legal Basis:</u></p> <ul style="list-style-type: none"> - Circular No. 19/2016/TT-NHNN: Clauses 2, 6 - Article 8, Clause 1.e Article 18, Clause 1.a Article 27 - Draft AML Law 2022: Article 4, Article 22 - Civil Code 2015: Article 8, Article 22, Article 324. 	
4.	<p>(BWG Consumer Finance)</p> <p>Circular 39/2016/TT-NHNN</p>	<p><u>2021:</u></p> <p>BWG sent official letter 210602BWGVBF on June 2, 2021 presenting a number of important recommendations to Circular 39 such as the “Proposal on adjustment of consumer lending/loan for living needs”, and “lending via digital channel”.</p> <ul style="list-style-type: none"> - The SBV has responded to OL 907-CSTT3 dated June 17, 2021 to the International Cooperation Department requesting to coordinate with the BWG to provide comments on the Draft Amendment to Circular 39. - BWG on behalf of foreign banks contributed opinions at the joint workshop with VNBA & SBV on Circular 39. - After receiving feedback from the SBV according to OL No. 907/CSTT3, BWG consolidated comments of their members to send reports and proposals to the SBV on issues related to Circular 39 on July 23, 2021. <p><u>2022:</u></p> <p>The BWG and the Monetary Policy Department have worked closely through comments and technical meetings related to the Draft Circular 39.</p> <p>Accordingly, a number of important issues were carefully discussed at the meeting in July 2022 as follows:</p> <p>1. Requirements to control loan purposes and Implementation of refinancing process for mid and long-term loan with loan purpose to meet individual’s living needs</p> <ul style="list-style-type: none"> • <i>Article 24 Circular 39.</i> • <i>Article 22.2 and Article 32 of Circular 39, Clause 6, Article 8 of Circular 39.</i> 	<p>BWG continues to coordinate and work with SBV in the process of drafting the Circular amending and supplementing Circular 39.</p>

		<ul style="list-style-type: none"> • <i>Implementation of refinancing process for mid and long-term loan with loan purpose</i> • <i>to meet individual's living needs</i> <p><u>2. Lending on digital platform:</u></p> <p><i>Article 9, Article 17, Article 23, Article 32 Circular 39</i></p> <p><u>3. Some other recommendations with Draft Circular 39:</u></p> <p>Article 7; Clauses 5, 6, 8 Article 8; Clause 4 Article 18; Clause 2h Article 22.</p>	
A.2. NEW ISSUES IN 2022			
5.	(BWG LC & IT) Draft Decree re. Regulations on Controlled Trial Mechanism of Fintech Operations in the Banking Sector	<p>BWG provided comments and held technical meetings to discuss the Draft Decree. BWG looks forward to an update on progress on this issue.</p> <p>At the meeting on May 6, 2022 between BWG and the Payment Department, the Payment Department answered questions and exchanged related proposals, aiming to develop a suitable Decree for the banking sector.</p>	BWG continues to coordinate and work with the SBV.
6.	(BWG LC & HR) Work from home - New way of working	In the coming time, BWG will send an Official Letter to the SBV to share some practices, legal frameworks and international experiences on future working methods in the world for the SBV's reference.	BWG continues to coordinate and work with the SBV.
7.	(BWG LC & Finance) Official Letter 6090/NHNN-TD ("OL 6090") on UPAS L/C product	<p>Responding to the SBV's request in Official Letter 6090/NHNN-TD ("Official Letter 6090"), BWG sent Official Letter No. 260922BWGVBF to the SBV, presenting a number of issues as follows:</p> <p>I. THE NATURE OF UPAS LC PRODUCT AND INTERNATIONAL PRACTICES</p> <p>1. The nature of UPAS L/C is a type of deferred L/C with terms of immediate payment: The responsibilities and obligations of the Issuing Bank and the importer for the UPAS L/C (with respect to the Reimbursing Bank) will not change compared to the normal deferred L/C.</p> <p>Regulation:</p> <p>Currently, there are no specific instructions of the SBV on credit and relevant operations such as UPAS L/C, credit institutions, foreign bank branches practices established by the International</p>	BWG proposes to continue to coordinate and work with the SBV.

	<p>Chamber of Commerce (UCP 600) on import and export payment operations.</p> <p>There is also a related definition of payment service provision via account in Clause 15, Article 4 of the Consolidated Document No. 07/VBHN-VPQH on the Law on Credit Institutions.</p> <p>2. Analysis and assessment of risks and benefits of the issuing bank and its customers in the case that the Issuing bank and the Advising Bank are 02 branches of the same banking system in 01 country: <i>Almost no risk.</i></p> <p>3. Recording UPAS L/C products according to international practices</p> <ul style="list-style-type: none"> - In Japan, China, Thailand and Korea: Some large banks record UPAS L/Cs as an off-balance-sheet track similar to deferred L/Cs (not recognized as lending or granting credit). - In Singapore: A bank records the payment as Other credit extension. Another bank responds and records this payment as a loan/credit extended from another credit institution/ bank and a loan/credit extended from the client. - At Australia, New Zealand: Record the advance payment as a receivable and payable to credit institutions. <p>II. BENEFITS OF PAYMENT BY UPAS L/C FOR CUSTOMERS</p> <ul style="list-style-type: none"> - Commercial benefits, payment support, increased trust between buyers and sellers. <p>III. PROPOSED SOLUTIONS ON UPAS L/C</p> <p>1. Proposing the nature and method of accounting for UPAS L/C transactions:</p> <p>Based on the above analysis and according to international practices, we would like to recommend not to consider the relationship between the issuing bank and the customer as a lending/credit relationship. Instead, BWG would like to propose the following:</p> <ul style="list-style-type: none"> - At the time the CI pays the beneficiary: <p><u>Proposal 1:</u> The nature of the relationship between the issuing bank and the customer (the applicant for opening UPAS L/C) is considered <i>another credit extension relationship</i> (Account 275 – Other credit extension) and the nature of the relationship between the Issuing Bank and Advising Bank are also considered to be <i>another credit extension relationship</i> (Account 4199- Receiving other credits)</p> <p><u>Proposal 2:</u> Nature of relationship between issuing bank and customer (applicant to open UPAS L/C): is the <i>provision of intermediary payment services</i> (Account 3591 - Receivables classified as credit risk assets), and the nature of the relationship between the Issuing Bank and the Advising</p>	
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8.	(BWG LC & Consumer Finance) Draft Circular to replace Circular 12/2014/TT-NHNN Enterprise's offshore loans without Government guarantee	BWG sent comments on the Draft Circular to the SBV on July 7, 2022 via Official Letter No. 07072022BWGVBF. BWG & SBV (Department of Foreign Exchange Management) held a meeting on February 9, 2023 to discuss related technical issues.	BWG continues to work closely with the State Bank of Vietnam during the process of drafting and issuing the Circular.
9.	(BWG L&C) Draft Circular to replace Circulars 07/2015/TT-NHNN and 13/2017/TT-NHNN	In response to Official Letter No. 6786/NHNN-TD of the State Bank of Vietnam, BWG has provided some comments on the Draft Circular to replace Circular 07/2015/TT-NHNN and 13/2017/TT-NHNN on insurance bank guarantee. On September 30, 2022, the SBV issued Circular No. 11/2022/TT-NHNN providing for bank guarantees (effective from April 1, 2023) replacing Circular 07/2015/TT -NHNN and Circular 13/2017/TT-NHNN.	BWG continues to work closely with the SBV during the implementation of the Circular.
10.	(BWG AML) Official Letter No. 2685/TTGSNH5 dated August 6, 2021 on the Electronic Remittance Transaction Report Form	In Official Letter No. 02-2110222BWGVBF dated October 21, 2022, BWG consulted with the SBV's AML Department for guidance on the common difficulties impacting to credit institutions in implementing the provisions of Circular 20/2019/TT-NHNN and Electronic Remittance Transaction Report Form as follows: 1. Currently, there are some international money transfer transactions from abroad to Vietnam, but the sending bank (sender) can be domestic banks acting as an intermediary bank. According to the current reporting process of the Bank as the Beneficiary, if it is found that the information is fully displayed in the payment content field (F70/72) including: /INS/ followed by is the Foreign Bank's SWIFT Code, then we will identify this as a remittance from abroad to be recorded in the EFT Report instead of the DWT. <u>Recommendation:</u> We respectfully request the State Bank to consider issuing standardized guidelines on how to fill information to distinguish international money transfers from abroad when the transaction goes through the channel of domestic banks being Sender bank, on the surface of the remittance order to the final beneficiary's bank, enabling reporting entities to automate the method of identification and	BWG has received the following feedback from the SBV and continues to work with the SBV in the process of developing the Circular guiding the AML Law. <i>Currently, the SBV is developing a draft Circular guiding the AML Law 2022, which is expected to provide guidance on the content of electronic money transfer transactions. Therefore, the SBV will coordinate with the BWG in the process of drafting and soliciting comments on the</i>

		<p>extract the right type of international money transfer. For example:</p> <ul style="list-style-type: none"> - In field 50, it is necessary to specify the person/entity issuing the overseas remittance order and their address. - In field 70/72, specify the issuer of the overseas remittance order and /INS/ followed by the SWIFT Code of the Bank serving overseas remitter. <p>2. Remittance/Beneficiary Bank Code (field number 28) – DWT report form issued with Official Letter 2685/TTGSNH5 dated August 6, 2021.</p> <p>Currently, we find that during transaction processing, on some money transfer samples in inter-bank money transfer channels outside of Citad (for example, wire transfer from VCB money), the information about the Bank Code issuing the remittance order is not shown on the remittance order but only the name of the sending bank, which leads to difficulties in reporting the information about the Bank Code.</p> <p><u>Recommendation:</u></p> <p>We respectfully request the SBV to request payment service banks to upgrade the data system to ensure that the content of the bank code issuing the money transfer/receiving order must be fully displayed on the money transfer order to ensure the reporting is accurate and complete.</p>	Circular guiding the AML Law.
11.	<p>(BWG AML SC)</p> <p>Directive No. 02/CT-NHNN dated April 13, 2018 (“Directive 02”) on measures to strengthen the transactions monitoring and activities related to crypto currency</p> <p>Official Letter No. 06/Cuc V.3 dated January 6, 2021 and</p>	<p>In Official Letter No. 03-2110222 BWGVBF dated October 21, 2022, BWG presented some problems and looked forward to receiving more comments and guidance from the SBV for the following issues re. Measures to strengthen transactions monitoring and activities related to crypto currency as required in Directive No. 02/CT-NHNN and Notice on domestic and international wanted list.</p> <p>1. Regarding Directive No. 02/CT-NHNN dated April 13, 2018 (“Directive 02”) on measures to strengthen the transactions monitoring and activities related to crypto currency:</p> <p>BWG presents some of the control measures being implemented at the banks:</p> <ul style="list-style-type: none"> - Preventive controls: (i) <i>For the establishment of customer relationships</i>: the profession, business area, ... of the customer is also considered to help identify potential customers related to crypto currency; (ii) <i>Debit and credit card entries at merchants accepting crypto currencies will be rejected</i> according to the logic established by the International Card Association such as Visa/Master. - Monitoring, detection controls: 	BWG continues to work with the SBV, and related ministries to continue to improve the quality of the list of domestic - international wanted objects and crypto currencies.

	<p>Official Letter No. 1092/Cuc V.3 dated December 16, 2021 on notification of domestic and international wanted list</p>	<p>(i) Some banks have developed an internal review list related to crypto currencies (“crypto currency list”) and integrated this list into transaction execution systems to enable timely detection of transactions. This list is likely to involve crypto currencies. This list includes names of crypto currencies, crypto currency acceptors - exchanges, crypto currency-related purposes...</p> <p>(ii) In addition, the Bank's Investigation department will further review/scan the transactions performed by customers, and in case of need the banks will implement/propose appropriate handling measures such as suspicious transaction reports, increased client Anti-Money Laundering risk ratings,...</p> <p>(iii) In addition, for trade transactions, loans, securities transactions, etc., the records and documents supporting the related transactions are also considered to ensure payment or loan purposes and not related to crypto currency purposes.</p> <p><u>Recommendation:</u></p> <p>BWG look forward to receiving further guidance regarding the data sources for the review to ensure consistent implementation, and we would like to sincerely request the SBV to share more about the upcoming directions related to the control of crypto currency transactions.</p> <p>2. Regarding Official Letter No. 06/Cuc V.3 dated January 6, 2021 and Official Letter No. 1092/Cuc V.3 dated December 16, 2021 on notification of domestic and international wanted list:</p> <p>BWG presented some difficulties in the information quality of the national and international wanted list during the implementation process:</p> <p>- The new wanted list is updated periodically without specifying the subjects to be added or removed from the list, the Bank must manually compare information between the old list and the new list. With a large number of newly added/removed names, errors were encountered, as well as the excessive workload in comparing and contrasting the information of each duplicate object.</p> <p>To ensure the accuracy of updated information on the Banks's system as well as reduce manual work for the Bank, we sincerely hope that the SBV will work with relevant agencies to improve the quality of the Wanted List so that the review system update can be done in a timely manner.</p>	
12.	<p>(BWG AML)</p> <p>Domestic transaction screening</p>	<p>BWG and AML Department held a meeting to discuss how to effectively implement the review of domestic transactions.</p>	<p>BWG continues to coordinate with the Anti-Corruption Department SBV in research</p>

			and implementation.
A.3. ISSUES THAT REQUIRE BILATERAL COOPERATION BETWEEN THE TWO PARTIES, SBV HAS ACKNOWLEDGED AND WILL TAKE INTO ACCOUNT WHEN AMENDING SBV'S CIRCULARS AND DECREES			
13.	<p>(BWG Transactional Banking)</p> <p>Developing a legal framework for cash pooling product</p>	<p>BWG recommends developing a legal framework and allowing a form of tangible transfer in VND, both internally and for domestic transactions.</p> <p>Since the time BWG made this proposal (October 2017), BWG and the SBV have held many meetings and seminars in 2018-2020 to exchange and listen to BWG's product characteristics and proposals. SBV also noted that the current legal framework does not prohibit it, but according to the development trend, banks propose and urgently need support from the SBV and the Government to build and develop relevant legal regulations to support businesses in particular as well as the economy in general.</p> <p>At the September 2021 meeting with the SBV, BWG explained in detail about the product's features, the full process, and answered the SBV's questions and concerns from the manager's perspective and raised the following questions: practices and practices in China, and at the same time make comparisons between the similarities and differences in the legal framework of Vietnam - China. The SBV noted and requested the BWG to propose more about obstacles in the current legal framework in Vietnam and corresponding solutions.</p> <p>2022:</p> <p>Following the exchanges between the SBV and BWG, through technical meetings and official letters, BWG continued to analyze more closely the product structure as well as the legal system in Vietnam and make proposals on the development of a legal framework for liquidity management solutions in Vietnam through Letter No. 15072022BWGVBF dated July 15, 2022</p> <p>The SBV (Department of Credit for Economic Sectors, Department of Monetary Policy and Department of Payments) coordinated to respond and discuss with BWG about legal and practical problems.</p>	<p>BWG continues to research, coordinate and work with the SBV on this issue.</p>
B) GROUP 2: ISSUES THAT RELATE TO THE COMPETENCE & RESPONSIBILITIES OF OTHER LINE MINISTRIES			
14.	<p>(BWG LC)</p> <p>Regarding the requirement to have</p>	<p>- Regarding this issue, there have been a number of meetings between BWG and Department of Settlement, SBV, and Ministry of Finance. The origin of this issue is the Law on Electronic Transactions, Decree No. 35/2007/ND-CP dated March 6, 2007 on electronic transactions in banking</p>	<p>BWG continues to coordinate and work with the State Bank (Department of Finance and</p>

	<p>the chief accountant's signature in the operation and use of bank accounts.</p> <p>Decision 1789/2005/QD-NHNN promulgating the regime of accounting vouchers</p>	<p>activities, Law on Accounting and Decision 1789 of SBV 2005. Before, banks have not met with a lot of difficulties in implementing this decision because transactions were paper-based. Yet the online transaction systems have been well developed, with 2 groups of signatures: those of the legal representatives and chief accountants and authorized representatives, thus the requirements set out in this decision is no longer practical for banks' operations. Yet, due to the barriers in Law on Accounting and Decision No. 1789, banks face with compliance risk, because when customers use a bank's payment system, both they and the bank cannot prove both groups of signatures as required.</p> <p>According to discussion between BWG and the Ministry of Finance, the latter agreed that these requirements were developed based on paper transactions and were no longer appropriate with the current e-transactions.</p> <p>- Recommendation:</p> <p>With experience in development of e-banking systems in parent banks in developed countries, BWG would like to further work with functional entities under SBV and support SBV in the drafting and revising the relevant laws, and developing a legal system for conduction of e-transactions in Vietnam</p> <ul style="list-style-type: none"> - such as the revision of Decision 1789 to be in line with the current development status of e-banking. - BWG raised the issue at the VBF 2019 midterm forum. The State Bank of Vietnam cooperates with the Ministry of Finance in amending the Law on Accounting. - According to Official Letter No. 1488/NHNN-TCKT of the State Bank, the State Bank requires credit institutions to report difficulties and obstacles in the implementation of Decision 1789/2005/QD-NHN issued on the accounting voucher regime especially content related to electronic documents and digital signatures. BWG has compiled to report this content to the SBV. - BWG discussed with the Ministry of Finance and received a response via official letter 3016/BTC-QLKT dated March 25, 2021. <p>2021: The Finance and Accounting Department/SBV and BWG held a meeting on May 13, 2021.</p> <p>Proposing to amend the requirement on the responsibility to control the signature on customer payment orders belonging to the enterprise when participating in the channels/methods of order transmission (Host to Host/SWIFT) that the enterprise has registered with the bank:</p> <p>At the meeting, the Finance and Accounting Department noted the difficulties and necessary changes to match the current digitalization trend, and obstacles in the current legal framework (Accounting Law). The SBV will work further with the Ministry of Finance and the Ministry of Justice in revising</p>	<p>Economics), the Ministry of Finance and other ministries (Ministry of Justice, Ministry of Information and Communications) in the process of studying and proposing amendments to relevant regulations such as: Law on Accounting, Decision 1789, Decision 367.</p>
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		<p>regulations to be more trend-oriented.</p> <p>Requirements for the amount in words on the voucher:</p> <p>The State Bank of Vietnam recognizes difficulties and practices in SWIFT systems and applications of banks. The State Bank will conduct a practical survey on the Transaction Office and at banks to study whether this is a common problem for the industry, to continue working and propose to the Ministry of Finance to handle this issue.</p> <p>Storing documents:</p> <p>The State Bank noted the inconsistency in the regulations on the time limit for storing and packing documents according to Decision 376/2003/QD-NHNN regulating the preservation and storage of electronic documents used for accounting and capital payment. of payment service providers, Decision 1789, Decree 174/2016/ND-CP and Circular 43/2011/TT-NHNN (Article 248) and will review relevant documents and propose cancellation documents are no longer appropriate, as well as amending reasonable regulations.</p> <p>2022: Currently, based on the response reports of credit institutions, the SBV is consolidating the comments of the parties and in the coming time will continue to coordinate with BWG, Ministry of Finance and other ministries (Ministry of Justice, Ministry of Information and Communications) to gradually remove obstacles for credit institutions.</p> <p>2023: In the near future, BWG plans to organize a workshop/meeting with the Ministry of Finance, the State Bank of Vietnam and related agencies on this issue.</p>	
15.	(BWG LC) E - Signature	<p>- Re. E-signature:</p> <p>Following the technical discussions on November 13, 2019 and the high-level meeting on January 9, 2020, BWG would like to seek further guidance from the SBV's IT Department on the criteria of digital signatures/digital signatures. According to international practice in current countries, the process of applying electronic signature always follows the basic process / specific instructions of the authorities (Standard electronic signature - SEF).</p> <p>BWG & SBV (Legal Department, IT Department, Payment Department, International Cooperation Department) held a meeting to discuss on November 13, 2019.</p> <p>BWG & SBV held a working session on September 30, 2020 on electronic signatures (e-signature-with IT Department, Legal Department, Payment Department) to discuss in more detail the problems and relevant circulars/regulations.</p>	<p>BWG continues to coordinate and work with VNBA, SBV (IT Department) and MIC in the process of amending legal documents related to e-signatures to ensure that the regulations are suitable for the operation of the banking industry.</p>

		<p>In 2021, the Ministry of Information and Communications is developing a Law amending and supplementing a number of articles of the Law on Electronic Transactions No. 51/2005/QH11 and is expected to be issued in 2022. BWG proposes to work together. with the Ministry of Information and Communications and the State Bank in this regard.</p> <p>- On July 6, 2022, BWG had a meeting with IT Department - SBV to discuss key points in 3th Draft of the Law on Electronic Transactions such as:</p> <p>(i) Conversion of paper documents to data messages, where to send data messages, (ii) 3 confidence levels 1, 2 and 3; legal validity of electronic signatures and use of electronic signatures for state agencies, foreign electronic signatures and applicable information systems, (iii) Requires signatures to be authenticated by an organization providing secure electronic signature authentication/verification service., etc.</p> <p>- On July 27, 2022, BWG cooperated with VNBA to organize a consultation workshop on 4th draft of the Law on Electronic Transactions, with the participation of the State Bank, the Ministry of Information and Communications, and the Government Office.</p> <p>- In October 2022 and March 2023, BWG continued to send comments on drafts 5 and 6 of the Law on Electronic Transactions to the Office of the Government and the Ministry of Information and Communications, the State Bank of Vietnam.</p>	
16.	<p><u>(BWG Finance)</u></p> <p>Retrospective Collection of VAT on L/C fees</p>	<p>We propose not to apply Retrospective Collection of VAT on L/C fees.</p> <p><u>2020:</u></p> <p>- BWG has sent Official Letter to Prime Minister, Prime Minister's Office has issued Official Letter No. 755/VPCP-KTTH to respond to the official letter and assign the SBV the task of working with the Ministry of Finance; The SBV sent OL No. 5496/NHNN-TD on July 30, 2020 to the Ministry of Finance.</p> <p>- BWG has been cooperating with the SBV and VNBA in this regard.</p> <p><u>2021:</u></p> <p>In 2021, BWG had many discussions with the SBV through:</p> <p>- Side discussions with the SBV, providing documents, experiences, international practices, etc.</p> <p>- Each BWG member bank officially responds to Official Letter No. 1116 of the SBV requesting banks to report on L/C activities.</p>	<p>BWG continues to coordinate with the SBV and continue to discuss this issue with the Ministry of Finance and the General Department of Taxation.</p>

		<p>- The SBV issued Official Letter No. 2032/NHNN-TD to the Ministry of Finance, stating the SBV's view that "L/C is both a payment service and a credit granting activity", stating international practices and continue to confirm the proposal not to apply VAT retrospectively.</p> <p>- BWG participated in the speech at the Conference co-organized to VNBA, VCCI with the participation of the State Bank and the Ministry of Finance on May 11, 2021 on practical difficulties when applying retrospective of VAT on L/C charges of credit nature.</p> <p>- The SBV has sent OL No. 7390/NHNN-TD dated October 18, 2021 to the Ministry of Finance, stating its views on the classification of fees collected from L/C services, the legal basis of the classification; provided data on L/C fees collected by credit institutions from customers in the period 2011-2020 and confirmed that the view on retrospective VAT collections during the 10-year period is inappropriate.</p> <p><u>2022:</u></p> <p>On October 12, 2022, BWG sent Official Letter No. 12102022BWGVBF to the Prime Minister & Government Office and SBV:</p> <p>“However, up to now, the Ministry of Finance has not yet issued a document guiding the application of VAT fee collection to the letter of credit product.</p> <p>In addition, in many tax audits/inspections at many domestic and foreign-invested banks and credit institutions, the inspection teams of the General Department of Taxation and the Tax Departments of provinces and cities are still applying tax treatment/collection in the spirit of Official Letter 1606/TCT-DNL.</p> <p>Accordingly, VAT fee for the letter of credit service is retrospectively collected, and subject to administrative violations and charged deferred payment fees from 2018 to present or recorded in the inspection minutes to wait for specific instructions from the Ministry of Finance and the General Department of Taxation. This causes many difficulties and impacts to the business activities of banks and credit institutions.</p> <p>BWG wish to receive the support and thorough consideration of the Prime Minister and the relevant Ministries in issuing detailed guidelines as soon as possible for the application of VAT on letter of credit services on the basis of no retroactive, no tax retroactive, no re-adjustment, VAT calculation is applied only from the date the Ministry of Finance (General Department of Taxation) has official documents guiding.”</p> <p><u>2022 - Response of the Credit Department of Economic Sectors:</u></p>	
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		<p>Ministry of Finance issued Official letter No. 14694/BTC-TCT dated December 24th, 2021 to the State Bank of Vietnam to request for comments on the draft Proposal to be submitted to the Prime Minister in the following directions: (1) Agreed with the option for VAT collections on L/C fee as follows: (i) L/Cs of credit nature shall not be subject to VAT, L/Cs of payment nature shall be subject to VAT. However, the State Bank of Vietnam needs to amend SBV Circulars (Circular No. 23/2014/TT-NHNN and Circular No. 22/2019/TT-NHNN) regarding the contents guiding letters of credit to clearly state this provision, as a basis for the application of tax policy, with a Retrospective provision effective since January 1st, 2011; (ii) Credit institutions shall declare and pay tax in compliance with the provided regime and shall be responsible for the classification of L/Cs, ensuring accurate and sufficient collection of VAT as required; (iii) Due to the change in the specialized guiding policy, Ministry of Finance shall submit to the Prime Minister for permission not to apply late payment interest. (2) Assigning SBV to amend the Circular guiding which L/C services that are “credit granting services”, and L/C services that are “payment services via accounts” and the time period for Retrospective application from January 1st, 2011 for credit institutions to implement in a consistent manner and serving as a basis for tax authorities to collect tax.</p>	
17.	<p>(BWG AML)</p> <p>Transaction control issues related to unlicensed online games</p>	<p>1. BWG sent OL No. 210719BWGVBF to MIC and SBV presenting the difficulties in implementing and asking for general guidance on unlicensed online games as follows:</p> <p>1.1. Regarding the request of official dispatch No. 585/NHNN-TT dated August 10, 2020 asking banks to refuse to process transactions related to unlicensed online games: SBV sent OL No. 998 /TT4/NHNN-TT dated September 4, 2020 instructing BWG on payment connection.</p> <p>1.2. The inclusion of games with short keywords, few characters such as K8, M88, G88, GDW (Dispatch 830/TTGSNH11); R88, Long ho, B24 (Official Letter 551/TTGSNH5) and a string of characters written in Chinese, game publishers without identifying information (Official Letter 585/TTGSNH5) on the list of possible reviewers resulting in a very large number of inaccurate warnings, making it difficult to determine if these warnings are actually related to the online game. Therefore, BWG proposed the State Bank to clarify and provide further guidance.</p> <p>1.3. In controlling transactions related to customers in the field of hotels, bars, clubs, resorts, MCC codes 5813, 7011, etc. BWG has difficulty identifying licensed establishments from which to determine whether transactions with them are legitimate. BWG is looking forward to receiving guidance from the SBV on the list of licensed gambling service establishments in Vietnam.</p> <p>To ensure that the controls that block transactions to merchants with the relevant MCC code are implemented efficiently, consistently, and comprehensively by all banks, we would like to receive</p>	<p>BWG proposes to continue to coordinate with the MIC and update the SBV on this issue.</p>

		<p>guidance. guidance of the State Bank in understanding the list of MCCs related to transactions that are prohibited by law.</p> <p>1.4. Related legal regulations: Decree 03/2017/ND-CP, Circular 102/2017/TT-BTC on casino business has a 3-year pilot regulation allowing Vietnamese to be 21 years or older and have the capacity for civil acts to play at the casino business location permitted by the competent authority.</p> <p>Currently, BWG has no way to determine which businesses are on the list of allowed pilot, nor if the businesses have completed the pilot and are officially licensed to allow Vietnamese people to enter. We look forward to receiving further guidance from the SBV to make our transaction reporting more accurate and complete;</p> <p>2. BWG sent OL No. 01-141021BWGVBF on October 14, 2021: in which, the following issues continue to be presented:</p> <p>2.1. Request the SBV to give further comments to the Banking Association (VNBA) and financial institutions in order to support, facilitate and accelerate the connection and sharing of the above information as well as more guidance on the coordination of the whole industry in the prevention of violations in card activities.</p> <p>2.2. Regarding reporting standards: Due to the currently unknown channels as well as communication rules or clear response times, consensus between the Card Issuer and the Card Payment Institution, BWG has/will conduct a suspicious transaction report with the utmost effort, providing the most information upon request.</p> <p>BWG proposes to report suspicious transactions on a group basis based on common points in terms of information collected on customers' card transactions during the investigation process – a detailed reference sheet for each This method of card payment organization is attached with a suspicious transaction report template that will help report the information in a concise, consistent and concise manner.</p> <p>2021</p> <p>BWG received the following response:</p> <p>- The Ministry of Information and Communications (OL No. 1631/PTTH& TTDT) responds to BWG OL No. 210719BWGVBF:</p> <p>In addition to licensed online games, there are many games that are being released without authorization and that collect player fees through local payment agents, most of which are offered</p>	
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		<p>cross-border. to Vietnam through the Apple & Google app store.</p> <p>The Ministry of Information and Communications requests BWG to guide and request payment support Agencies to comply with the provisions of Clause 1, Article 9 of TT24/2014/TT-BTTTT.</p> <p>About the list of legal/licensed online games updated by the Ministry of Information and Communications once a month at websites: www.gameportal.gov.vn, ww.abei.vn; www.mic.gov.vn. It is recommended that BWG actively access and look up updated legally released games.</p> <p>Clause 2, Article 31 of Decree 72/2013/ND-CP stipulates that before considering and connecting payment for each game, payment-supporting enterprises may request online video game service providers to provide prescribed documents to provide sufficient grounds for connection or actively refuse or suspend the connection. In case of need, BWG can send to the Ministry of Information and Communications a list of games expected to connect payment for information.</p> <p>- SBV's OL No. 7069/NHNN-TTGSNH in response to BWG OL 210719BWGVBF:</p> <p>Card issuers and card payment organizations shall base on their responsibilities in accordance with applicable laws to carry out the task of monitoring and detecting suspicious card transactions and taking measures to handle these cases. In addition, card issuers and card payment organizations can coordinate and exchange information with each other and with international card organizations to prevent card transactions against the law.</p> <p>When card issuers detect suspicious signs related to cardholders (customers) or detect suspicious signs related to merchants, card issuers need to learn and collect information about their customers and about merchants (through coordination with the card payment organization), the card issuer and the card payment organization report suspicious transactions (which includes providing information about merchants obtained by card issuers).</p> <p>The SBV acknowledges the difficulties and problems related to AML law and will study and consider in the process of amending the AML Law.</p> <p>3. SBV (OL 980/NHNN-CucV.1) dated November 14, 2021 in response to CV No. 01-141021BWGVBF dated October 14, 2021:</p> <p>3.1. The SBV supports this proposal of the BWG and recommends VNBA to implement necessary measures to enhance the exchange, sharing and capture of information about subjects and merchants with a history of suspected law violations among the banks. banks, as well as advising the whole industry to direct documents in the prevention of card violations in the coming time.</p>	
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18.	(BWG LC) Draft Decree on non-cash payment	<p>BWG contributed ideas, participated in the Appraisal Council and worked with the SBV and the Ministry of Justice in the process of drafting & developing the Decree.</p> <p>2022 – Response from the Payment Department.</p> <p>On May 27th, 2021, SBV submitted to the Government the Documents on a draft Decree for replacement of Decree No. 101/2012/ND-CP on non-cash payments. Because the draft Decree covers multiple new and complicated issues, SBV reported to the Government and the deadline for</p>	BWG continues to coordinate with the State Bank (Payment Department), Ministry of Justice and related ministries and sectors in this issue.

		submission of the draft in the second quarter of 2022 has been approved.	
19.	(BWG LC & IT) Draft Decree on Personal Data Protection	<p>Some key issues in the Draft Decree propose to discuss:</p> <p>(i) Handling of sensitive personal data: Regarding the banking sector's handling of sensitive personal data (regarding Articles 2, 20, 21, 24.4 and other provisions of the Draft Decree),</p> <p>(ii) Article 8: Consent of data subjects to personal data</p> <p>(iii) Point c) and g) Clause 2 Article 17 on statistics of activities related to personal data</p> <p>(iv) Clause 1 Article 21 - Regarding the requirement for original data to be stored in Vietnam:</p> <p>(v) Clause 3, Article 4 and Clause 3, Article 22 on a maximum fine of 5% of the total revenue of the personal data breach handler in Vietnam for a number of acts.</p> <p>(vi) Article 29. Effective date</p> <p>2022 – Responses of Departments and Agencies under the SBV:</p> <p>SBV submitted comments to the Ministry of Public Security, Government Office:</p> <p>- Official Letter No. 2100/NHNN-PC dated March 31st, 2021 to the Ministry of Public Security for comments on the draft Decree.</p> <p>- Official Letter No. 9141/NHNN-PC dated December 27th, 2021 to the Office of the Government providing Government member's comments on the draft Decree.</p> <p>In the new draft, there have been some changes compared to the draft in the Summary Table (for example, removing the provision of a maximum fine of 5% of the processor's total revenue in a personal data breach).</p> <p>The SBV agreed with the proposal of the BWG: will continue to coordinate with the BWG and the Ministry of Public Security in the process of amending and developing appropriate implementation guidelines on personal data protection for the banking industry.</p>	BWG will coordinate with the SBV & the Ministry of Public Security in the process of drafting and developing the Circular, with the aim of implementing appropriate regulations for the banking industry.
20.	(BWG LC & Consumer Finance) Official letter No. 2937/NHNN-TT dated May 4, 2022 on	<p>Official Letter 2937 as well as the Official Letter attached to Official Letter 2937 (Official Letter 948/BTTTT-PTTH&TTĐT dated 16/03/2022) refers to the pay television services on the internet (“OTT TV”) of cross-border foreign enterprises that have not yet complied with Vietnam’s content and service management and the main method of collecting charges through bank payment system. However, commercial banks are not clear about the responsibility of commercial banks in</p>	BWG continues to work closely with the SBV & the Ministry of Information and Communications in this issue.

	<p>the SBV payment control cross border television service provider (OTT TV)</p>	<p>coordinating with the Department of Information and Communication on content management and television services as well as specific requirements for payment for this type of service, as well as the responsibility of the commercial bank in checking the legality and compliance with the foreign exchange management of payments to OTT TV providers in compliance with their content and service management. Therefore, we hope to receive specific instructions & guidance from the SBV to be able to implement Official Letter 2937 and comply with relevant legal regulations.</p> <p><u>BWG received the response from SBV via official letter 7270/NHNN-TT on October 17, 2022</u></p> <p>Realizing the difficulties of payment service providers in implementing the request of the Ministry of Information and Communications at OL 948, along with sending documents to direct payment service providers, the State Bank (Department of Payments) has also sent documents to the Ministry of Information and Communications. In which, the difficulties of the banking industry are mentioned in the implementation process; clarify the responsibilities of ministries and branches in the management of goods and services. From there, it is proposed that the Ministry of Information and Communications: (i) study and finalize the regulations on management of cross-border OTT TV services on the Internet platform; (ii) take measures to prevent and remove products and services that do not conform to regulations; (iii) provide necessary information and documents for payment service providers as an implementation basis.</p> <p>In case payment service providers have difficulties in implementing the request of the Ministry of Information and Communications, payment service providers can directly give opinions to the Ministry of Information and Communications (Department of Radio, Television and Electronic Information).</p>	
21.	<p>(BWG Financial Market)</p> <p>Close-out netting in derivative transactions</p>	<p>BWG proposed SBV to allow Close-out netting in derivative transactions.</p> <p>- 2021: The BWG and the SBV discussed and closely coordinated in the process of developing the Draft Amendment to Circular 01/2015/TT-NHNN, through the form of comments on the Draft and held 2 technical meetings to discuss problems and propose amendments in Circular 01</p> <p>Circular 25/2021/TT-NHNN amending and supplementing Circular 01 stipulates that commercial banks and branches of the State Bank of Vietnam are allowed to make net settlement (clearing) in interest rate derivatives transactions.</p>	<p>As the Close-out netting in derivatives transactions is still related to the Bankruptcy Law, BWG proposes to continue to coordinate and work with the State Bank, the Ministry of Justice, the Supreme People's Court in the process of amending the Bankruptcy Law & related regulations.</p>

22.	(BWG LC & IT) Decree 53/2022/ND-CP guiding the Law on Cybersecurity	<p>In September 2022, BWG coordinated with VBF to send official letters to the Ministry of Public Security, the State Bank, and the Ministry of Planning and Investment on guiding the implementation of Decree 53.</p> <p>In the coming time, BWG proposes to the State Bank to support and propose to discuss with the Ministry of Public Security on how to understand and apply a number of related provisions as follows:</p> <p><i>1. Subjects regulated by Articles 26 and 27 of Decree 53:</i></p> <ul style="list-style-type: none"> - Clause 11 Article 2 of Decree 53 on the definition of "domestic enterprises" - Clause 12, Article 2 of Decree 53. <p><i>2. Related services/fields:</i> Article 26, Clause 3, Item a - there are a number of areas that have not been clearly defined in relevant Vietnamese laws or have different interpretations in each field. We would like to sincerely request the Ministry of Public Security to clarify this issue.</p> <p><i>3. Requirements for data storage in Vietnam:</i></p> <p>Article 26, Clause 5 stipulates: 5. The form of data storage in Vietnam shall be decided by enterprises.</p> <p><i>4. Types of data that must be stored in Vietnam - Article 26, Clause 1</i></p> <ul style="list-style-type: none"> - On December 22, 2022, the Ministry of Public Security cooperated with Vietnam Business Forum VBF to organize a Workshop on Dissemination of Decree 53 in Ho Chi Minh City. declaration in accordance with relevant regulations in the banking industry. 	<p>BWG suggests to cooperate with the SBV and propose to discuss with the Ministry of Public Security on how to interpret and apply a number of relevant provisions in the banking industry.</p>
C) GROUP 3: ISSUE HANDLED IN 2022			
23.	(BWG AML) Official Letter No. 830/TTGSNH11 dated May 27, 2019 Official Letter No. 1080/NHNN-TT dated February 21, 2020	<p><u>Extract from Official Letters: 200824BWGVBF dated August 24, 2020:</u></p> <p>The above documents have provided a number of lists containing about 330 websites alerted to provide online gambling/betting services with signs of legal violation and unlicensed video games. These websites may be active and/or shut down and/or only active at certain times. Banks are required to:</p> <ol style="list-style-type: none"> 1. Strengthen inspection, monitoring and prevention of illegal transactions; 2. Regularly monitor and update the list of websites and applications showing signs of violation as stated in Clause 1, Article 11 of Circular No. 24/2014/TT-BTTTT dated December 29, 	<p>DONE</p> <p>BWG continues to work with the Ministry of Information and Communications and update the SBV (if necessary).</p>

	<p>Official Letter No. 233/NHNN-QLNH dated March 26, 2020</p> <p>Official Letter No. 551/TTGSNH5 dated May 14, 2020</p> <p>Official Letter No. 585/NHNN-TT dated August 10, 2020</p>	<p>2014 at websites of the Ministry of Information and Communications https://www.mic.gov.vn/ ; and</p> <p>3. Report to competent state agencies (such as Anti-Money Laundering Department; Police Department of peripheral/urban Districts or Province, City).</p> <p>I. Difficulties in fulfilling requests in the Official Letters:</p> <ol style="list-style-type: none"> 1. Lack of information of beneficiary or merchant 2. Inability to control transaction based on payment content 3. Absence of specific guidance on the website of the Ministry of Information and Communications <p><u>4. Recommendation:</u></p> <ul style="list-style-type: none"> - For banks that do not provide online card payment acceptance services or provide a card accepting machine (POS machine), the Bank only checks once to ensure that accounts are not opened for individuals or organizations whose identification information is listed in the above Official Letters. For websites that do not have the complete identification information of beneficiaries or operators, we will not be able to check due to lack of information. - For banks that provide online card payment acceptance services or provide card-accepting machines (POS machines), we will ask customers to commit not to provide services to legal violating individuals/organizations. However, since some documents are marked as Confidential, we cannot provide detailed information. <p>II. More guidance is needed on preventing other illegal transactions</p> <p>BWG also hope to receive further guidance and support from the State Bank of Vietnam in detecting and preventing not only gambling and betting but also other illegal transactions in the card payment domain (electronic currency trading, gambling and forex trading, etc.)</p> <p>We would like to emphasize the important role of the SBV and the Payment Network in this fight against crime.</p> <ul style="list-style-type: none"> - BWG received response from the SBV on September 28, 2020 <p>BWG continues to expand the issue related to the control of online game transactions and has actively discussed with the SBV and the Ministry of Information and Communications in 2021.</p> <p><i>(Please refer to point 17 for more details - Transaction control issues related to unlicensed online games)</i></p>	
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24.	(BWG Financial Market) IBOR Alternative	BWG is supporting the SBV in implementing the LIBOR interest rate alternative. BWG and the Monetary Policy Department have closely coordinated in exchanging and providing market information and practical implementation.	DONE
25.	(BWG Financial Markets & LC) Decree on interest subsidies provided by state budget for loans of enterprises, cooperatives, and household businesses	BWG has provided comments on the Draft Decree. Article 1. Scope and Article 2. Regulated Entities - Draft Decree - BWG proposes to add “lending activities of foreign bank branches” to Article 1. Scope, and “foreign bank branches” to Article 2. Regulated entities of the Draft Decree to ensure the effective implementation of the Government's interest rate support policy. - Adding “foreign bank branches” to the relevant contents in the Draft Decree and Draft Circular to ensure regulatory consistency.	DONE
26.	(BWG Financial Market, Finance & LC) Official Letter 5994/NHNN-CSTT on the reporting of foreign currency trading by credit institutions to customers	BWG sent Official Letter No. 01-310822BWGVBF dated August 31, 2022, 02-310822BWGVBF dated August 31, 2022 stating some difficulties in implementing the requirements in Official Letter 5994/NHNN-CSTT on the reporting of foreign currency trading by credit institutions to customers & member foreign banks. In Official Letter No. 150922BWGVBF, BWG updated and reported to the SBV on the implementation practice and general approach of BWG members as in the process of banks' efforts to research and implement at the request of the SBV. BWG continued to discuss and received active support from the Monetary Policy Department - SBV in the appropriate implementation.	DONE
27.	(BWG LC & Consumer Finance) Card transactions for donation and contribution to charity and religious organizations purpose	<u>Extracted from Official Letter No. 100522BWGVBF of BWG to the SBV on May 10, 2022</u> As regulated in Art.17.3.a,b,d Circular 19/2016/TT-NHNN dated 30 June 2016, amended, supplemented by Circular 28/2019/TT-NHNN on principles of card usage, scope of card usage: In fact, there are more clients with rising needs of card usage for donation to charities and contribution to religious organizations which are located in Vietnam and overseas. These card transactions are performed at merchants with certain MCC (Merchant Category Code) codes such as 8398, 5931, 8661. Definitions of these MCCs according to Visa/MasterCard are summarized as below:	DONE

		<ul style="list-style-type: none"> - MCC 8398: Organizations, Charitable and Social Service including health care clinics, drug-stores, charities, etc. - MCC 5931: Second Hand Stores including stores which sell appliances, accessories, clothes, books, musical instruments, bikes, etc. including second-hand goods for contribution to charitable fund-raising activities. - MCC 8661: Organizations, Religious including religious organizations, mosques, churches, pagodas, etc. that provide worship services, religious training or study, religious activities, and fund-raising. <p>According to the categorization of these MCCs, International Card Organizations use the same MCC for trading of goods, providing services and fund-raising for charities and religious organizations. This type of categorization makes difficulty for issuing banks in managing and monitoring card transactions at merchants under these MCCs.</p> <p>We recognize that Vietnam regulations do not prohibit donation and contribution to charities and religious organizations. In addition, clients' demand for card usage to donate to charities and contribute to religious organizations is rising.</p> <p>To clarify more about the scope of card use for card transactions for the above purposes, BWG would like to request SBV's guidance to serve customers' needs and control card operations in a practical manner, ensuring compliance with the provisions of law.</p> <ul style="list-style-type: none"> - BWG received SBV's response via official letter No. 5667/NHNN-TT on August 16, 2022 	
28.	(BWG Consumer Finance) Article 24.2 Circular 19/2016/TT-NHNN regulating banking card activities	<ul style="list-style-type: none"> - BWG sent SBV Official Letter No. 210414BWGVBF dated April 14, 2021 to update the process of complying with Article 24.2 of Circular 19/2016/TT-NHNN. - BWG has received the guidance from SBV and continues to discuss with the SBV for appropriate implementation. 	DONE
29.	(BWG LC) Decision 2182/QĐ-TTg in 2020 on the list of Banking Sector	<p>BWG sent comments to the SBV on March 2, 2021.</p> <p>1. Definition of information on the lists of state secrets</p> <p>We realize that the state secrets prescribed in Decision 2182 only includes information and documents created or issued by the SBV or other agencies, does not include information and</p>	DONE

	<p>State secrets.</p>	<p>documents created by credit institutions, foreign bank branches. Therefore, we understand that only the documents mentioned in Decision 2182 must be preserved in accordance with regulations on protection of state secrets. For documents or information created by credit institutions, foreign bank branches and required to be preserved under other regimes but not on the list of state assets in Decision 2182, they need to be preserved on a safe basis security in accordance with internal regulations of credit institutions and foreign bank branches, but they are not required to maintain according to regulations on protection of state assets.</p> <p>2. Amendment of regulations on document storage in the Banking industry</p> <p>Circular 43/2011/TT-NHNN stipulating the time limit for preserving records and archival documents in the banking industry and Decision 1913/2005/QD-NHNN on the regime of archiving accounting documents in the banking industry.</p> <p>We recommend that these two documents be reviewed, revised and supplemented to suit the new situation, especially in the 4.0 technology era when many documents are stored electronically</p> <p><u>2021:</u></p> <p>The SBV sent the BWG an email to respond to the BWG's recommendations on May 11, 2021.</p> <p><u>2022:</u></p> <p>Regarding amendments to regulations on keeping of documents in the Banking sector</p> <p>- <i>Regarding the proposed amendments to the Circular to replace Circular 43/2011/TT-NHNN:</i> On December 29th, 2021, SBV Governor issued Circular No. 22/2021/TT-NHNN providing for the duration for keeping records and documents formed during the operations of the State Bank of Vietnam. The Circular becomes effective since February 15th, 2022, replacing Circular 43/2011/TT-NHNN providing for the duration for keeping records and documents in the banking sector.</p> <p>- <i>Regarding the proposed amendments to Decision No. 1913/2005/QD-NHNN on the regime of keeping accounting documents in the banking sector:</i></p> <p>SBV has currently a plan for amendment and supplements of Decision No. 1913/2005/QD-NHNN. Thus, BWG is kindly recommended to provide specific practical issues during the implementation of Decision No. 1913 in particular as well as the keeping of accounting documents in general. SBV will study and take into account the issues under our authority in amending and promulgating the documents. For issues governed by Laws, Decrees and Circulars that are not within our scope of authority, SBV will work with the banking working group in consulting with other ministries and</p>	
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		agencies.	
30.	(BWG AML) Prohibition of payments from/to Vietnam-Russia Joint Venture Bank (VRB)	<p>In order to minimize the risks related to sanctions, the Banking Working Group would like to inform the AML Department that all foreign financial institutions that are members of BWG - VBF will not be allowed to conduct transactions related to VRB payment via payment channels, including but not limited to: Interbank payment system (CITAD) of the State Bank, 24/7 Interbank Money Transfer Service of National Payment Joint Stock Company Vietnam (NAPAS) and NAPAS Card Switching Service. For the above reasons, BWG recommends that the SBV understand the risk-based approach and support BWG's SFIs to apply restrictive measures according to compliance requirements to ensure that their clients do not deal with an organization that is on the designated embargo list.</p> <p>BWG also sent an Official Letter to Vietnam National Payment Joint Stock Company (NAPAS) requesting NAPAS to temporarily disconnect VRB from foreign banks according to the list of BWG members who are NAPAS members.</p> <p>- In Official Letter No. 495/2022/CV-NAPAS.PTKD dated June 27, 2022, NAPAS confirmed that it could not support BWG's request and will continue to work with BWG until there are new instructions from the relevant Ministries.</p>	DONE
31.	<u>(BWG Finance)</u> E-invoice	<p>2020:</p> <ul style="list-style-type: none"> - BWG has sent Official Letter No. 200918BWGVBF to the Ministry of Finance asking for guidance on the following issues: <ul style="list-style-type: none"> a) Mandatory time to start applying e-invoices b) Transfer e-invoice data directly to tax authorities c) Time to issue e-invoices d) Enterprises apply to issue electronic invoices during the period from the date of Decree 123/2020 issued to June 30, 2022, which Decree applies? e) Specific guidance on invoice issuance for some unique bank products <p>The BWG had a meeting with the Ministry of Finance on (d) above on November 25, 2020.</p> <p>The Ministry of Finance responded as follows:</p> <p>“Promulgates, applies and takes effect under Decree 123:</p>	DONE

	<p>According to the provisions of Circular 88/2020/TT-BTC dated October 30, 2020 of the Ministry of Finance guiding e-invoices, e-invoices are still being applied according to the provisions of Decree 51/ 2010/ND-CP, Decree 04/2014/ND-CP and Circular 32/2011/TT-BTC of the Ministry of Finance and Decision 1209/2015/QD-BTC in 2015 of the Ministry of Finance are piloted. In-progress documents are still being worked on.</p> <p>If businesses have conditions to apply e-invoices in advance according to Decree 123/2020/ND-CP, they can be allowed to apply, but they must submit an official letter and get approval from the local tax authority. The process of applying Decree 123/2020/ND-CP is different from the current process. E-invoice is a system between an enterprise and a tax authority: facilities and infrastructure between the tax authority and the enterprise.</p> <p>In Decree 123/2020/ND-CP and Circular 88/2020/TT-BTC, the enforcement effect is clearly stated.</p> <p>Regarding administrative procedures and invoices, Decree 123/2020/ND-CP has a registration form for establishing a new business, applying for electronic invoices. If the enterprise is newly established, current regulations shall apply. If electronic invoices are selected, Decree 51/2010/ND-CP, Decree 04/2014/ND-CP and Decree 123/2020/ND-CP will be applied. At the present time, there are sufficient grounds to determine the validity in writing. In specific cases, it is recommended to propose to the tax office to solve problems.</p> <p>BWG sent official letter No. 02-141021BWGVBF dated October 14, 2021 to the Ministry of Finance and the General Department of Taxation to comment and re-state a number of points that need the official guidance of the BTC and GDT for the following issues:</p> <ul style="list-style-type: none"> f) Transfer e-invoice data directly to tax authorities g) Time of e-invoicing h) Specific instructions on issuing invoices for specific products of the bank. <p><u>2021 – Response from the Ministry of Finance:</u></p> <p>GDT has issued Official Letter No. 10/TCT-CS dated January 5, 2022 to reply to Official Letter No. 02-141021BWGVBF on this issue.</p> <p><u>2022– Ministry of Finance's response:</u></p> <p>On March 21, 2022, BWG sent Official Letter No. 210322BWGVBF to the Ministry of Finance and General Department of Taxation, proposing guidelines on E-Invoices. In it, BWG presented the practical implementation of the requirement to upgrade the electronic invoice system and some</p>	
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		<p>difficulties in the process of implementing Decision 206. Thereby, BWG respectfully requests the General Department of Taxation to understand and share difficulties and obstacles in the past period and approve BWG member banks to apply the time to convert electronic invoices and transmit data to the General Department of Taxation from July 1, 2022 as specified in Decree 123 and Circular 78, instead of the application period from April 2022 as required in Decision 206. GDT has issued Official Letter No. 1648/TCT-CS dated May 10, 2022 to reply to Official Letter No. 210322BWGVBF on this issue.</p> <p><u>2022 – Response from SBV:</u></p> <p>According to current regulations, the guidance on e-invoices is still applied according to the provisions of Decree 51/2010/ND-CP, Decree 04/2014/ND-CP and Circular 32/2011/TT-BTC of the Ministry of Finance and Decision 1209/2015/QD-BTC in 2015 of the Ministry of Finance for pilot application. From July 1, 2022, organizations will follow the instructions in Decree 123/2020/ND-CP and Circular 88/2020/TT-BTC dated October 30, 2020 of the Ministry of Finance. instructions for electronic invoices. This issue was answered by the Ministry of Finance to the BWG at the meeting on November 25, 2020, according to the report of the BWG, in which, the Ministry of Finance stated that if there are problems, it is recommended to the Tax Authority to be resolved. Therefore, on this issue, the Tax Office (Ministry of Finance) is the focal point to answer the BWG's problems and problems, and the State Bank is the Department to update information for information and monitoring.</p>	
32.	<p>(BWG Finance)</p> <p>Transition roadmap to apply IFRS in Vietnam</p>	<p>On March 16, 2020, the Minister of Finance issued Decision No. 345/QD-BTC approving the scheme on application of international financial reporting standards in Vietnam, including 3 phases: preparation (2020-2021), pilot (2022-2025), and application (after 2025).</p> <p>The application of IFRS in the banking sector: The Ministry of Finance has issued regulations on the application of IFRS and it is time for banks to apply this new standard. The Banking sector wishes to receive further instructions from the SBV in the application of IFRS to the particular banking industry. The adoption process is expected to be complex and resource-intensive (human and costly to attract external consultants) as well as a significant expected impact on banks' operations.</p> <p>BWG would like to know the detailed roadmap and expectations of the State Bank to be ready for implementation.</p> <p><u>2022 – Response of the Finance and Accounting Department, SBV:</u></p> <p>Pursuant to the provisions at Decision No. 345/QD-BTC dated March 16th, 2020 of the Minister of</p>	<p>DONE</p> <p>BWG continues to work with the Ministry of Finance and update and coordinate with the SBV to prepare for appropriate implementation.</p>

		<p>Finance approving the Plan for application of financial reporting standards in Vietnam, SBV issued Decision No. 1701/QD-NHNN dated October 29th, 2021 approving the “<i>Project for development of solutions and a roadmap for application of International Financial Reporting Standards to the system of Vietnamese credit institutions</i>” in the List of ministerial-level scientific and technological tasks in 2021 to determine the participants, roadmap, and plan for application of IFRS to credit institutions in accordance with the requirements from time to time.</p> <p>According to Sub-clause a, Clause 2.1.1, Article 2 of Decision No. 345/QD-BTC providing for the preparation phase (2020-2021) for the IFRS application roadmap:</p> <p>“- <i>Developing and promulgating the Plan for application of financial reporting standards in Vietnam. Implementation period: By March 2020.</i></p> <p>- <i>Setting up a Translation and Review Committee and completing the IFRS translation into Vietnamese. Implementation period: By December 2020.</i></p> <p>- <i>Ministry of Finance develops, promulgates, or submits to competent authorities for promulgation of appropriate legal documents to announce the translation of IFRS into Vietnamese. Implementation period: By March 2021.</i></p> <p>- <i>Ministry of Finance develops, promulgates, or submits to competent authorities for promulgation of legal documents on how to apply IFRS; Supplementing, amending, and promulgating new financial mechanisms related to the application of IFRS. Implementation period: By November 15, 2021.</i></p> <p>- <i>Conducting training of human resource on implementation process for businesses.</i>”</p> <p>However, Ministry of Finance has not yet announced the translation of IFRS into Vietnamese and has not issued the legal documents on how to apply IFRS; or supplementing, amending and issuing new financial mechanisms related to the application of IFRS as per the roadmap.</p> <p>In practice, being well aware of the benefits as well as challenges in the application of IFRS, relying on the experience of the parent banks in the IFRS applicable countries, most fully foreign-owned banks, foreign bank branches, and a number of domestic joint stock commercial banks have voluntarily prepared their financial statements in accordance with IFRS. Thus, regarding the roadmap for application of IFRS in general, and IFRS 9 in particular, Vietnamese credit institutions will, in principle, follow the general roadmap for businesses of other economic sectors provided for at Decision No. 345/QD-BTC.</p> <p>However, in order to apply IFRS in general and IFRS 9 in particular, credit institutions need to consider and identify the data for development of the formula and calculation of expected credit loss</p>	
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		<p>(ECL) using both historical data on credit losses and macroeconomic variables; at the same time, they need to supplement and amend policies and procedures on product development, investment, financial statement closing and preparation, assessment and presentation of results of business model assessment, assessment of individual credit risk, model management, etc. Therefore, the development of a roadmap for IFRS applications takes time because it requires comprehensive consideration.</p> <p>In the past time, as approved by Deputy Governor Dao Minh Tu, Finance and Accounting Department has worked with the Central Banking Training School and KPMG to organize a training program on international financial reporting standards for staff of a number of departments and agencies involved in the development and implementation of the roadmap for IFRS application in Vietnam (Finance and Accounting Department, Banking Supervision Agency, Monetary Policy Department, Legal Department, Monetary and Financial Stability Department). In the coming time, Finance and Accounting Department will work with relevant entities to conduct a survey of the needs and ability for IFRS application at credit institutions and assess the impact of IFRS application as a basis for preparation of a specific roadmap.</p>	
33.	<p>(BWG Consumer Finance)</p> <p>Decree 91/2020/ND-CP against spam messages, spam emails, spam calls</p>	<p>- BWG sent OL No. 210407BWGVBF to MIC, SBV on April 7, 2021: Clearly stating the problems and difficulties of banks that have not yet responded to customers' requests to refuse to receive marketing emails as prescribed in Clause 3, Article 20 of Decree 91/2020 immediately. ND-CP on prevention of spam messages, spam emails and spam calls. It usually takes 2-4 working days for foreign banks to notify internally and implement changes in the global system.</p> <p>- Proposal: MIC to coordinate with SBV to consider providing guidance and accept appropriate implementation methods from banks to ensure data consistency and technical standards to avoid wasted resources, time, costs and reduce risks that may arise in financial services.</p> <p>- The Ministry of Information and Communications has OL No. 2634/BTTTT-QHQT dated July 19, 2021 in response to the BWG's OL as follows:</p> <p>“The termination of emails, advertising messages, and advertising calls specified in Clauses 4, Article 13 and Clause 3, Article 20 of Decree 91 is important to ensure the interests of users against the problem of emails, messages, spam calls. These measures need to be deployed automatically, synchronously, based on tools and software.</p> <p>Clause 1, Article 13; Clause 1, Article 11 of Decree 91 prescribes the principles of sending promotional emails, messages, and calling calls. The Ministry of Information and Communications requires that before sending advertising messages or making promotional calls to customers, banks</p>	<p>DONE</p> <p>BWG continues to work with the Ministry of Information and Communications during the course of amending and developing implementation guidelines on prevention of spam messages, spam emails, and spam calls.</p>

		need to check carefully to make sure that customer is not on the DNC list (Non-advertising list). In addition, now the connection to the DNC List is easy, convenient and the Ministry of Information and Communications (Information Security Administration) has detailed instructions at website ais.gov.vn. The SBV requests banks to access to follow instructions.”	
34.	(BWG Finance & IT) Official Letter No. 1305/TCT-KK of GDT on the provision of taxpayer account information	<p>In Official Letter No: 01072022BWGVBF dated July 1, 2022 to the Ministry of Finance and the General Department of Taxation, BWG has raised a number of challenges and issues that need guidance and consideration for the implementation of the requirements in the official letter. No. 1305/TCT-KK:</p> <p>(1.a) core banking system - core banking and data centers of foreign credit institutions not located in Vietnam; (1.b) the rigorous and time-consuming system modification – development process to adopt a uniform system worldwide; (1.c) duplicate requests to provide the same type of Business account information in different formats to GDT and local Tax Authorities; (1.d) ask for GDT's guidance regarding banks sending such data directly to GDT without data reconciliation, if banks ensure that their data meets data information requirements data of GDT.</p> <p><u>Recommendations:</u></p> <p>(i) We would like to sincerely request the GDT - MoF to consider issuing the date of submitting the first report on January 1, 2023 to assist foreign banks and credit institutions to build a process, system of tools to support enterprises to review, assess & make statistics of customers named in the list accurately and efficiently.</p> <p>(ii) We understand that the regulations officially issued by the General Department of Taxation will take effect to replace the data & requirements issued by the local Tax Departments. We respectfully request the State Bank to confirm our understanding.</p> <p>(iii) We would like to sincerely request the GDT - MoF to confirm our understanding at point 1.d in this official letter regarding the Bank's choice regarding data comparison and registration of taxpayers' tax identification data with the GDT.</p>	DONE

POSITION PAPER OF BANKING WORKING GROUP

SUMMARY OF TECHNICAL ISSUES

Notes:

A) GROUP 1: *Issues brought forward from 2021 under the mandate of the State bank of Vietnam and to be followed up in 2022 and new issues in 2022*

A.1. Issues addressed by sbv in 2021 and to be followed up in 2022

A.2. New issues in 2022

A.3. Issues that require bilateral cooperation between the two parties, SBV has acknowledged and will take into account when amending SBV's circulars and decrees

B) GROUP 2: *Issues that relate to the competence & responsibilities of other line ministries*

C) GROUP 3: *Issues handled in 2022*

NO.	ISSUE	PROGRESS & DESCRIPTION	CONCLUSION
A) GROUP 1: ISSUES BROUGHT FORWARD FROM 2021 BY THE STATE BANK OF VIETNAM AND TO BE FOLLOWED UP IN 2022 AND NEW ISSUES IN 2022			
A.1. ISSUES ADDRESSED BY SBV IN 2021 AND TO BE FOLLOWED UP IN 2022			
1.	(BWG AML SC) Anti-Money Laundering (AML Law) & Draft Regulations (Decree, Circular guiding AML Law)	<p>After discussions in 2020 and at the meeting between the BWG and the AML Department on January 15, 2021, BWG continues to closely coordinate and work with the AML Department to comment on the drafting of the Draft AML Law through official letters and technical meetings.</p> <p>At the meeting on August 11, 2022 with the AML Department, the BWG proposed to continue discussing some important issues as follows:</p> <p><i>I. Issues on CIP-KYC customers Identification</i></p> <p>1. The definition of beneficial owner does not include institutional customers and whether documents and data related to beneficial owners issued by the customers themselves are approved or not (Article 3; Article 12).</p>	BWG continues to coordinate and work with the AML Dept Banking Supervision Agency in the process of amending the AML Law and related regulations.

		<p>2. Irregular transactions; Large value transactions need more specific regulations (Article 9)</p> <p>3. Identification information (CIP) and additional information for understanding the Customer (KYC) need to be distinguished (Article 10)</p> <p>4. It is necessary to clearly specify whether the founder, the legal representative of the institutional client needs to be verified or not and in some special cases such as the Branch/Representative Office/Executive Office of a foreign organization (Art. 10 and 21)</p> <p>5. Allow verification of customer information through a third party “Third party does not include agency and outsourcing relationships” (Article 14)</p> <p>6. Customer risk classification according to Article 16 and application of simple customer identification measures</p> <p>7. Verify the source of wealth/ assets of the Client and the beneficial owner as PEP (Article 17)</p> <p><i>II. Issues on Transaction Monitoring</i></p> <p>8. Procedure post the suspicious transactions reporting (Article 24)</p> <p>9. Suspicious signs (Article 26)</p> <p>(i) Foreign enterprises transfer money abroad immediately after receiving money; (ii) use personal accounts to make transactions related to company activities; (iii) Online transactions through accounts that are constantly changing in terms of login device, Internet protocol address (IP address) abroad.</p> <p><i>III. Issues on reporting</i></p> <p>The definition of an electronic money transfer needs further clarification to clarify the scope; the originator's information is mandatory and only reports suspicious transactions of electronic money transfers where the bank has reasonable grounds to suspect. (Article 3, Article 27).</p> <p>At the meeting on August 11, 2022, BWG received answers and instructions from the AML Department for appropriate implementation. Part of the important and relevant proposals have been recognized by the AML Department and considered for amendment in the Draft Law. Other technical proposals will continue to be considered during the development of relevant Decrees and Circulars.</p> <p>SBV & BWG agreed that the reporting organizations must make best effort to comply with the current anti-money laundering laws - regulation and will continue to cooperate, exchange</p>	
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		information and solve problems.	
2.	(BWG LC SC) Decision No. 1913/2005/QD-NHNN on the regime of keeping/ archiving accounting documents in the banking sector	<p>BWG sent comments to the SBV on March 2, 2021.</p> <p>3. Amending Decision 1913/2005/QD-NHNN on the regime of keeping accounting documents in the banking sector.</p> <p>We recommend that this document be reviewed, revised and supplemented to suit the new situation, especially in the 4.0 technology era when many documents have been stored electronically.</p> <p><u>SBV's response in 2022:</u></p> <p><i>SBV has sent Official Letter No. 4732/NHNN-TCKT dated June 28, 2022 to the Ministry of Finance on the current situation and problems of credit institutions with respect to regulations on accounting documents and archiving of accounting documents related to the Law of Accountant. In the coming time, the SBV will continue to work with the Ministry of Finance regarding this issue.</i></p>	BWG continues to coordinate and work with the State Bank of Vietnam.
3.	(BWG Consumer Finance) Controlling card transactions based on MCC and the responsibility of the issuing bank in controlling POS	<p><u>2021:</u></p> <p>BWG sent official letter No. 210615BWGVBF on June 15, 2021. Accordingly, BWG presented difficulties and false warnings/hits of card issuers when applying control measures, includes blocking fictitious payments/cash withdrawals based on some common MCC codes (such as 4900, 5411, 5499, 5541, 5542, 5172, 6300), combined with allowable transaction value thresholds.</p> <p>SBV has provided a number of guiding documents the BWG, which included responses to the recommendations at Document No. 210615BWGVBF (Document No. 5913/NHNN-TT dated August 17th, 2021 on a number of issues related to the supervision and reporting of credit card transactions as advised by the Department of Payment, Document No. 980/Cuc V.1 dated October 4th, 2021 as advised by the Department of Anti-Money Laundering).</p> <p>In terms of issues related to anti-money laundering, SBV recognized the difficulties and barriers in the provisions of the law on anti-money laundering related to the reporting entities and reporting information in the “cardholder - card issuer – merchant - card acquirer mentioned by BWG in Document No. 210615BWGVBF and which will be studied and considered during the amendment of the Law on Anti-money laundering, relevant guiding documents and other regulations.</p> <p>BWG continued to expand the issue related to the control of online game transactions and has actively discussed with the SBV and the Ministry of Information and Communications in 2021.</p> <p><u>2022:</u></p>	In 2022, BWG & SBV actively exchanged, responded and continued to coordinate & implement in 2023.

		<p>1. In Official Letter No. 06062022BWGVBF dated 06/06/2022 sent to the State Bank of Vietnam (Department of Payment, AML Dept. - Banking Supervision Agency) and VNBA, BWG has: (i) reported on the progress of implementation, coordination - active exchange with VNBA, however, results have not been achieved yet due to the principles of foreign banks members of BWG on information confidentiality for third parties who are not the State Bank or Competent Authorities, so (ii) BWG is still actively collecting the reporting information based on available internal data sources to promptly report suspicious transactions.</p> <p>2. BWG sent Official Letter No: 081122BWGVBF dated November 8, 2022 - Proposing exemption from reporting of suspicious transactions for fictitious payment/transactions at merchants (not associated with sales of goods and provision of services) as prescribed. in Article 8, Circular 19/2016/TT-NHNN – specifically the case where the customer only conducts a fictitious transaction at the merchant without any signs of suspicious transactions related to money laundering, typically as follows:</p> <ul style="list-style-type: none"> a. Payment transactions - spending on credit cards with a total or approximate value/ amount match made in a short time (same day, or within a number of days), going on for months (typical sign). b. The amount of payments – spending on credit cards for the month at merchants can be close to the card's credit limit, take place in consecutive months and often repeat. c. The value of each transaction or the total value of the transactions at the above POS/merchants are mostly made with full or approximate value/amount (infrequent sign, not necessarily for fictitious payment/transactions). d. These transactions involve only a few single individuals and there is no sign of a 3rd party/group depositing cash or transferring money payments to multiple credit card holders for unclear purpose of transactions and relationships. <p>In this case, the Bank does not have reasonable grounds to identify whether these transactions' information is for the purpose of concealing the origin of the proceeds of crime, or constitutes the crime of money laundering as prescribed in the Civil Code 2015.</p> <p>BWG propose to be exempted from reporting suspicious transactions under Article 22 of the Law on Anti-Money Laundering for fictitious transactions at merchants with the above signs. Instead, the bank will update the records of income information and payment sources for the above customers. At the same time, in addition to requiring the issuer to report suspicious POS/merchants, the State Bank may consider asking the card issuer to make statistical reports on Card operations performing prohibited transactions according to the provisions of Article 8 of Circular 19. Cases in which the</p>	
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		<p>card users conduct fictitious transactions with suspicious transaction signs related to the source of money or suspected money laundering, banks continue to report suspicious transactions as required.</p> <p><u>Legal Basis:</u></p> <ul style="list-style-type: none"> - Circular No. 19/2016/TT-NHNN: Clauses 2, 6 - Article 8, Clause 1.e Article 18, Clause 1.a Article 27 - Draft AML Law 2022: Article 4, Article 22 - Civil Code 2015: Article 8, Article 22, Article 324. 	
4.	<p>(BWG Consumer Finance)</p> <p>Circular 39/2016/TT-NHNN</p>	<p><u>2021:</u></p> <p>BWG sent official letter 210602BWGVBF on June 2, 2021 presenting a number of important recommendations to Circular 39 such as the “Proposal on adjustment of consumer lending/loan for living needs”, and “lending via digital channel”.</p> <ul style="list-style-type: none"> - The SBV has responded to OL 907-CSTT3 dated June 17, 2021 to the International Cooperation Department requesting to coordinate with the BWG to provide comments on the Draft Amendment to Circular 39. - BWG on behalf of foreign banks contributed opinions at the joint workshop with VNBA & SBV on Circular 39. - After receiving feedback from the SBV according to OL No. 907/CSTT3, BWG consolidated comments of their members to send reports and proposals to the SBV on issues related to Circular 39 on July 23, 2021. <p><u>2022:</u></p> <p>The BWG and the Monetary Policy Department have worked closely through comments and technical meetings related to the Draft Circular 39.</p> <p>Accordingly, a number of important issues were carefully discussed at the meeting in July 2022 as follows:</p> <p>1. Requirements to control loan purposes and Implementation of refinancing process for mid and long-term loan with loan purpose to meet individual’s living needs</p> <ul style="list-style-type: none"> • <i>Article 24 Circular 39.</i> • <i>Article 22.2 and Article 32 of Circular 39, Clause 6, Article 8 of Circular 39.</i> 	<p>BWG continues to coordinate and work with SBV in the process of drafting the Circular amending and supplementing Circular 39.</p>

		<ul style="list-style-type: none"> • <i>Implementation of refinancing process for mid and long-term loan with loan purpose</i> • <i>to meet individual's living needs</i> <p><u>2. Lending on digital platform:</u></p> <p><i>Article 9, Article 17, Article 23, Article 32 Circular 39</i></p> <p><u>3. Some other recommendations with Draft Circular 39:</u></p> <p>Article 7; Clauses 5, 6, 8 Article 8; Clause 4 Article 18; Clause 2h Article 22.</p>	
A.2. NEW ISSUES IN 2022			
5.	(BWG LC & IT) Draft Decree re. Regulations on Controlled Trial Mechanism of Fintech Operations in the Banking Sector	<p>BWG provided comments and held technical meetings to discuss the Draft Decree. BWG looks forward to an update on progress on this issue.</p> <p>At the meeting on May 6, 2022 between BWG and the Payment Department, the Payment Department answered questions and exchanged related proposals, aiming to develop a suitable Decree for the banking sector.</p>	BWG continues to coordinate and work with the SBV.
6.	(BWG LC & HR) Work from home - New way of working	In the coming time, BWG will send an Official Letter to the SBV to share some practices, legal frameworks and international experiences on future working methods in the world for the SBV's reference.	BWG continues to coordinate and work with the SBV.
7.	(BWG LC & Finance) Official Letter 6090/NHNN-TD ("OL 6090") on UPAS L/C product	<p>Responding to the SBV's request in Official Letter 6090/NHNN-TD ("Official Letter 6090"), BWG sent Official Letter No. 260922BWGVBF to the SBV, presenting a number of issues as follows:</p> <p>I. THE NATURE OF UPAS LC PRODUCT AND INTERNATIONAL PRACTICES</p> <p>1. The nature of UPAS L/C is a type of deferred L/C with terms of immediate payment: The responsibilities and obligations of the Issuing Bank and the importer for the UPAS L/C (with respect to the Reimbursing Bank) will not change compared to the normal deferred L/C.</p> <p>Regulation:</p> <p>Currently, there are no specific instructions of the SBV on credit and relevant operations such as UPAS L/C, credit institutions, foreign bank branches practices established by the International</p>	BWG proposes to continue to coordinate and work with the SBV.

	<p>Chamber of Commerce (UCP 600) on import and export payment operations.</p> <p>There is also a related definition of payment service provision via account in Clause 15, Article 4 of the Consolidated Document No. 07/VBHN-VPQH on the Law on Credit Institutions.</p> <p>2. Analysis and assessment of risks and benefits of the issuing bank and its customers in the case that the Issuing bank and the Advising Bank are 02 branches of the same banking system in 01 country: <i>Almost no risk.</i></p> <p>3. Recording UPAS L/C products according to international practices</p> <ul style="list-style-type: none"> - In Japan, China, Thailand and Korea: Some large banks record UPAS L/Cs as an off-balance-sheet track similar to deferred L/Cs (not recognized as lending or granting credit). - In Singapore: A bank records the payment as Other credit extension. Another bank responds and records this payment as a loan/credit extended from another credit institution/ bank and a loan/credit extended from the client. - At Australia, New Zealand: Record the advance payment as a receivable and payable to credit institutions. <p>II. BENEFITS OF PAYMENT BY UPAS L/C FOR CUSTOMERS</p> <ul style="list-style-type: none"> - Commercial benefits, payment support, increased trust between buyers and sellers. <p>III. PROPOSED SOLUTIONS ON UPAS L/C</p> <p>1. Proposing the nature and method of accounting for UPAS L/C transactions:</p> <p>Based on the above analysis and according to international practices, we would like to recommend not to consider the relationship between the issuing bank and the customer as a lending/credit relationship. Instead, BWG would like to propose the following:</p> <ul style="list-style-type: none"> - At the time the CI pays the beneficiary: <p><u>Proposal 1:</u> The nature of the relationship between the issuing bank and the customer (the applicant for opening UPAS L/C) is considered <i>another credit extension relationship</i> (Account 275 – Other credit extension) and the nature of the relationship between the Issuing Bank and Advising Bank are also considered to be <i>another credit extension relationship</i> (Account 4199- Receiving other credits)</p> <p><u>Proposal 2:</u> Nature of relationship between issuing bank and customer (applicant to open UPAS L/C): is the <i>provision of intermediary payment services</i> (Account 3591 - Receivables classified as credit risk assets), and the nature of the relationship between the Issuing Bank and the Advising</p>	
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		<p>Bank will also be considered a payment intermediary (Account 4599 – Other pending payments).</p> <ul style="list-style-type: none"> - At the time of L/C payment due date: If the Customer is unable to pay, the issuing bank performs the payment obligation to the issuing bank as committed, on the other hand, has the right to grant compulsory loans to the Customer for monitoring and debt collection, and to establish a lending/credit relationship between the issuing bank and the Customer (the L/C applicant). <p>2. Issuing a complete and clear guidance for UPAS L/C</p> <p>For the above two options, whichever option the SBV chooses, we will also fully comply with the instructions of the SBV. However, when the SBV issues the guidance on UPAS L/C products, we would like the SBV to be able to fully state the following aspects of UPAS L/C products for banks to completely, precisely & clearly implement:</p> <ul style="list-style-type: none"> - Specify the nature of the UPAS L/C transaction, including UPAS for import L/C and domestic L/C. - Review problems related to borrowing in foreign currency and amend relevant regulations if necessary. - Regulations on credit growth and specific calculation if including UPAS L/C. - Regulations on compulsory lending when customers fail to pay the L/C amount at due date. - Debt classification and provisioning/reserve for overdue UPAS L/C. <p>* Detailed regulations on accounting for each period:</p> <ul style="list-style-type: none"> - When issuing UPAS L/C: The issuing banks detailed accounting account with the customer; The issuing bank with the Advising Bank; The Advising Bank with the issuing bank. - At L/C payment due date: Recording in case the customer can pay the L/C amount and in case the customer fails to pay the L/C payment amount. The UPAS L/C recognition method for relevant income and cost. - Due date for complete settlement of UPAS L/C: Accounting entries when the customer completes the UPAS L/C obligation. <p>At the meeting with the State Bank of Vietnam on November 18, 2022, BWG discussed with the Credit Department of economic sectors and related departments and agencies (Department of Monetary Policy, Department of Banking Management, CIEM, etc.) to discuss and answer questions. inquire and exchange proposals related to the classification of UPAS LC operations, towards the development of appropriate regulations applicable to the banking sector.</p>	
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8.	(BWG LC & Consumer Finance) Draft Circular to replace Circular 12/2014/TT-NHNN Enterprise's offshore loans without Government guarantee	BWG sent comments on the Draft Circular to the SBV on July 7, 2022 via Official Letter No. 07072022BWGVBF. BWG & SBV (Department of Foreign Exchange Management) held a meeting on February 9, 2023 to discuss related technical issues.	BWG continues to work closely with the State Bank of Vietnam during the process of drafting and issuing the Circular.
9.	(BWG L&C) Draft Circular to replace Circulars 07/2015/TT-NHNN and 13/2017/TT-NHNN	In response to Official Letter No. 6786/NHNN-TD of the State Bank of Vietnam, BWG has provided some comments on the Draft Circular to replace Circular 07/2015/TT-NHNN and 13/2017/TT-NHNN on insurance bank guarantee. On September 30, 2022, the SBV issued Circular No. 11/2022/TT-NHNN providing for bank guarantees (effective from April 1, 2023) replacing Circular 07/2015/TT -NHNN and Circular 13/2017/TT-NHNN.	BWG continues to work closely with the SBV during the implementation of the Circular.
10.	(BWG AML) Official Letter No. 2685/TTGSNH5 dated August 6, 2021 on the Electronic Remittance Transaction Report Form	In Official Letter No. 02-2110222BWGVBF dated October 21, 2022, BWG consulted with the SBV's AML Department for guidance on the common difficulties impacting to credit institutions in implementing the provisions of Circular 20/2019/TT-NHNN and Electronic Remittance Transaction Report Form as follows: 1. Currently, there are some international money transfer transactions from abroad to Vietnam, but the sending bank (sender) can be domestic banks acting as an intermediary bank. According to the current reporting process of the Bank as the Beneficiary, if it is found that the information is fully displayed in the payment content field (F70/72) including: /INS/ followed by is the Foreign Bank's SWIFT Code, then we will identify this as a remittance from abroad to be recorded in the EFT Report instead of the DWT. <u>Recommendation:</u> We respectfully request the State Bank to consider issuing standardized guidelines on how to fill information to distinguish international money transfers from abroad when the transaction goes through the channel of domestic banks being Sender bank, on the surface of the remittance order to the final beneficiary's bank, enabling reporting entities to automate the method of identification and	BWG has received the following feedback from the SBV and continues to work with the SBV in the process of developing the Circular guiding the AML Law. <i>Currently, the SBV is developing a draft Circular guiding the AML Law 2022, which is expected to provide guidance on the content of</i>

		<p>extract the right type of international money transfer. For example:</p> <ul style="list-style-type: none"> - In field 50, it is necessary to specify the person/entity issuing the overseas remittance order and their address. - In field 70/72, specify the issuer of the overseas remittance order and /INS/ followed by the SWIFT Code of the Bank serving overseas remitter. <p>2. Remittance/Beneficiary Bank Code (field number 28) – DWT report form issued with Official Letter 2685/TTGSNH5 dated August 6, 2021.</p> <p>Currently, we find that during transaction processing, on some money transfer samples in inter-bank money transfer channels outside of Citad (for example, wire transfer from VCB money), the information about the Bank Code issuing the remittance order is not shown on the remittance order but only the name of the sending bank, which leads to difficulties in reporting the information about the Bank Code.</p> <p><u>Recommendation:</u></p> <p>We respectfully request the SBV to request payment service banks to upgrade the data system to ensure that the content of the bank code issuing the money transfer/receiving order must be fully displayed on the money transfer order to ensure the reporting is accurate and complete.</p>	<p><i>electronic money transfer transactions. Therefore, the SBV will coordinate with the BWG in the process of drafting and soliciting comments on the Circular guiding the AML Law.</i></p>
11.	<p>(BWG AML SC)</p> <p>Directive No. 02/CT-NHNN dated April 13, 2018 (“Directive 02”) on measures to strengthen the transactions monitoring and activities related to crypto currency</p> <p>Official Letter No. 06/Cuc V.3 dated January 6, 2021 and</p>	<p>In Official Letter No. 03-2110222 BWGVBF dated October 21, 2022, BWG presented some problems and looked forward to receiving more comments and guidance from the SBV for the following issues re. Measures to strengthen transactions monitoring and activities related to crypto currency as required in Directive No. 02/CT-NHNN and Notice on domestic and international wanted list.</p> <p>1. Regarding Directive No. 02/CT-NHNN dated April 13, 2018 (“Directive 02”) on measures to strengthen the transactions monitoring and activities related to crypto currency:</p> <p>BWG presents some of the control measures being implemented at the banks:</p> <ul style="list-style-type: none"> - Preventive controls: (i) <i>For the establishment of customer relationships:</i> the profession, business area, ... of the customer is also considered to help identify potential customers related to crypto currency; (ii) <i>Debit and credit card entries at merchants accepting crypto currencies will be rejected</i> according to the logic established by the International Card Association such as Visa/Master. - Monitoring, detection controls: 	<p>BWG continues to work with the SBV, and related ministries to continue to improve the quality of the list of domestic - international wanted objects and crypto currencies.</p>

	<p>Official Letter No. 1092/Cuc V.3 dated December 16, 2021 on notification of domestic and international wanted list</p>	<p>(i) Some banks have developed an internal review list related to crypto currencies (“crypto currency list”) and integrated this list into transaction execution systems to enable timely detection of transactions. This list is likely to involve crypto currencies. This list includes names of crypto currencies, crypto currency acceptors - exchanges, crypto currency-related purposes...</p> <p>(ii) In addition, the Bank's Investigation department will further review/scan the transactions performed by customers, and in case of need the banks will implement/propose appropriate handling measures such as suspicious transaction reports, increased client Anti-Money Laundering risk ratings,...</p> <p>(iii) In addition, for trade transactions, loans, securities transactions, etc., the records and documents supporting the related transactions are also considered to ensure payment or loan purposes and not related to crypto currency purposes.</p> <p><u>Recommendation:</u></p> <p>BWG look forward to receiving further guidance regarding the data sources for the review to ensure consistent implementation, and we would like to sincerely request the SBV to share more about the upcoming directions related to the control of crypto currency transactions.</p> <p>2. Regarding Official Letter No. 06/Cuc V.3 dated January 6, 2021 and Official Letter No. 1092/Cuc V.3 dated December 16, 2021 on notification of domestic and international wanted list:</p> <p>BWG presented some difficulties in the information quality of the national and international wanted list during the implementation process:</p> <p>- The new wanted list is updated periodically without specifying the subjects to be added or removed from the list, the Bank must manually compare information between the old list and the new list. With a large number of newly added/removed names, errors were encountered, as well as the excessive workload in comparing and contrasting the information of each duplicate object.</p> <p>To ensure the accuracy of updated information on the Banks's system as well as reduce manual work for the Bank, we sincerely hope that the SBV will work with relevant agencies to improve the quality of the Wanted List so that the review system update can be done in a timely manner.</p>	
12.	<p>(BWG AML)</p> <p>Domestic transaction screening</p>	<p>BWG and AML Department held a meeting to discuss how to effectively implement the review of domestic transactions.</p>	<p>BWG continues to coordinate with the Anti-Corruption Department SBV in</p>

			research and implementation.
A.3. ISSUES THAT REQUIRE BILATERAL COOPERATION BETWEEN THE TWO PARTIES, SBV HAS ACKNOWLEDGED AND WILL TAKE INTO ACCOUNT WHEN AMENDING SBV'S CIRCULARS AND DECREES			
13.	(BWG Transactional Banking) Developing a legal framework for cash pooling product	<p>BWG recommends developing a legal framework and allowing a form of tangible transfer in VND, both internally and for domestic transactions.</p> <p>Since the time BWG made this proposal (October 2017), BWG and the SBV have held many meetings and seminars in 2018-2020 to exchange and listen to BWG's product characteristics and proposals. SBV also noted that the current legal framework does not prohibit it, but according to the development trend, banks propose and urgently need support from the SBV and the Government to build and develop relevant legal regulations to support businesses in particular as well as the economy in general.</p> <p>At the September 2021 meeting with the SBV, BWG explained in detail about the product's features, the full process, and answered the SBV's questions and concerns from the manager's perspective and raised the following questions: practices and practices in China, and at the same time make comparisons between the similarities and differences in the legal framework of Vietnam - China. The SBV noted and requested the BWG to propose more about obstacles in the current legal framework in Vietnam and corresponding solutions.</p> <p><u>2022:</u></p> <p>Following the exchanges between the SBV and BWG, through technical meetings and official letters, BWG continued to analyze more closely the product structure as well as the legal system in Vietnam and make proposals on the development of a legal framework for liquidity management solutions in Vietnam through Letter No. 15072022BWGVBF dated July 15, 2022</p> <p>The SBV (Department of Credit for Economic Sectors, Department of Monetary Policy and Department of Payments) coordinated to respond and discuss with BWG about legal and practical problems.</p>	BWG continues to research, coordinate and work with the SBV on this issue.
B) GROUP 2: ISSUES THAT RELATE TO THE COMPETENCE & RESPONSIBILITIES OF OTHER LINE MINISTRIES			
14.	(BWG LC) Regarding the	- Regarding this issue, there have been a number of meetings between BWG and Department of Settlement, SBV, and Ministry of Finance. The origin of this issue is the Law on Electronic	BWG continues to coordinate and work

<p>requirement to have the chief accountant's signature in the operation and use of bank accounts.</p> <p>Decision 1789/2005/QD-NHNN promulgating the regime of accounting vouchers</p>	<p>Transactions, Decree No. 35/2007/ND-CP dated March 6, 2007 on electronic transactions in banking activities, Law on Accounting and Decision 1789 of SBV 2005. Before, banks have not met with a lot of difficulties in implementing this decision because transactions were paper-based. Yet the online transaction systems have been well developed, with 2 groups of signatures: those of the legal representatives and chief accountants and authorized representatives, thus the requirements set out in this decision is no longer practical for banks' operations. Yet, due to the barriers in Law on Accounting and Decision No. 1789, banks face with compliance risk, because when customers use a bank's payment system, both they and the bank cannot prove both groups of signatures as required.</p> <p>According to discussion between BWG and the Ministry of Finance, the latter agreed that these requirements were developed based on paper transactions and were no longer appropriate with the current e-transactions.</p> <p>- Recommendation:</p> <p>With experience in development of e-banking systems in parent banks in developed countries, BWG would like to further work with functional entities under SBV and support SBV in the drafting and revising the relevant laws, and developing a legal system for conduction of e-transactions in Vietnam</p> <ul style="list-style-type: none"> - such as the revision of Decision 1789 to be in line with the current development status of e-banking. - BWG raised the issue at the VBF 2019 midterm forum. The State Bank of Vietnam cooperates with the Ministry of Finance in amending the Law on Accounting. - According to Official Letter No. 1488/NHNN-TCKT of the State Bank, the State Bank requires credit institutions to report difficulties and obstacles in the implementation of Decision 1789/2005/QD-NHN issued on the accounting voucher regime especially content related to electronic documents and digital signatures. BWG has compiled to report this content to the SBV. - BWG discussed with the Ministry of Finance and received a response via official letter 3016/BTC-QLKT dated March 25, 2021. <p>2021: The Finance and Accounting Department/SBV and BWG held a meeting on May 13, 2021.</p> <p>Proposing to amend the requirement on the responsibility to control the signature on customer payment orders belonging to the enterprise when participating in the channels/methods of order transmission (Host to Host/SWIFT) that the enterprise has registered with the bank:</p> <p>At the meeting, the Finance and Accounting Department noted the difficulties and necessary changes to match the current digitalization trend, and obstacles in the current legal framework (Accounting</p>	<p>with the State Bank (Department of Finance and Economics), the Ministry of Finance and other ministries (Ministry of Justice, Ministry of Information and Communications) in the process of studying and proposing amendments to relevant regulations such as: Law on Accounting, Decision 1789, Decision 367.</p>
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		<p>Law). The SBV will work further with the Ministry of Finance and the Ministry of Justice in revising regulations to be more trend-oriented.</p> <p>Requirements for the amount in words on the voucher:</p> <p>The State Bank of Vietnam recognizes difficulties and practices in SWIFT systems and applications of banks. The State Bank will conduct a practical survey on the Transaction Office and at banks to study whether this is a common problem for the industry, to continue working and propose to the Ministry of Finance to handle this issue.</p> <p>Storing documents:</p> <p>The State Bank noted the inconsistency in the regulations on the time limit for storing and packing documents according to Decision 376/2003/QD-NHNN regulating the preservation and storage of electronic documents used for accounting and capital payment. of payment service providers, Decision 1789, Decree 174/2016/ND-CP and Circular 43/2011/TT-NHNN (Article 248) and will review relevant documents and propose cancellation documents are no longer appropriate, as well as amending reasonable regulations.</p> <p>2022: Currently, based on the response reports of credit institutions, the SBV is consolidating the comments of the parties and in the coming time will continue to coordinate with BWG, Ministry of Finance and other ministries (Ministry of Justice, Ministry of Information and Communications) to gradually remove obstacles for credit institutions.</p> <p>2023: In the near future, BWG plans to organize a workshop/meeting with the Ministry of Finance, the State Bank of Vietnam and related agencies on this issue.</p>	
15.	(BWG LC) E - Signature	<p>- Re. E-signature:</p> <p>Following the technical discussions on November 13, 2019 and the high-level meeting on January 9, 2020, BWG would like to seek further guidance from the SBV's IT Department on the criteria of digital signatures/digital signatures. According to international practice in current countries, the process of applying electronic signature always follows the basic process / specific instructions of the authorities (Standard electronic signature - SEF).</p> <p>BWG & SBV (Legal Department, IT Department, Payment Department, International Cooperation Department) held a meeting to discuss on November 13, 2019.</p> <p>BWG & SBV held a working session on September 30, 2020 on electronic signatures (e-signature- with IT Department, Legal Department, Payment Department) to discuss in more detail the problems</p>	<p>BWG continues to coordinate and work with VNBA, SBV (IT Department) and MIC in the process of amending legal documents related to e-signatures to ensure that the regulations are suitable for the operation of the</p>

		<p>and relevant circulars/regulations.</p> <p>In 2021, the Ministry of Information and Communications is developing a Law amending and supplementing a number of articles of the Law on Electronic Transactions No. 51/2005/QH11 and is expected to be issued in 2022. BWG proposes to work together with the Ministry of Information and Communications and the State Bank in this regard.</p> <p>- On July 6, 2022, BWG had a meeting with IT Department - SBV to discuss key points in 3th Draft of the Law on Electronic Transactions such as:</p> <p>(i) Conversion of paper documents to data messages, where to send data messages, (ii) 3 confidence levels 1, 2 and 3; legal validity of electronic signatures and use of electronic signatures for state agencies, foreign electronic signatures and applicable information systems, (iii) Requires signatures to be authenticated by an organization providing secure electronic signature authentication/verification service., etc.</p> <p>- On July 27, 2022, BWG cooperated with VNBA to organize a consultation workshop on 4th draft of the Law on Electronic Transactions, with the participation of the State Bank, the Ministry of Information and Communications, and the Government Office.</p> <p>- In October 2022 and March 2023, BWG continued to send comments on drafts 5 and 6 of the Law on Electronic Transactions to the Office of the Government and the Ministry of Information and Communications, the State Bank of Vietnam.</p>	banking industry.
16.	<p><u>(BWG Finance)</u></p> <p>Retrospective Collection of VAT on L/C fees</p>	<p>We propose not to apply Retrospective Collection of VAT on L/C fees.</p> <p><u>2020:</u></p> <p>- BWG has sent Official Letter to Prime Minister, Prime Minister's Office has issued Official Letter No. 755/VPCP-KTTH to respond to the official letter and assign the SBV the task of working with the Ministry of Finance; The SBV sent OL No. 5496/NHNN-TD on July 30, 2020 to the Ministry of Finance.</p> <p>- BWG has been cooperating with the SBV and VNBA in this regard.</p> <p><u>2021:</u></p> <p>In 2021, BWG had many discussions with the SBV through:</p> <p>- Side discussions with the SBV, providing documents, experiences, international practices, etc.</p> <p>- Each BWG member bank officially responds to Official Letter No. 1116 of the SBV requesting</p>	<p>BWG continues to coordinate with the SBV and continue to discuss this issue with the Ministry of Finance and the General Department of Taxation.</p>

		<p>banks to report on L/C activities.</p> <ul style="list-style-type: none"> - The SBV issued Official Letter No. 2032/NHNN-TD to the Ministry of Finance, stating the SBV's view that "L/C is both a payment service and a credit granting activity", stating international practices and continue to confirm the proposal not to apply VAT retrospectively. - BWG participated in the speech at the Conference co-organized to VNBA, VCCI with the participation of the State Bank and the Ministry of Finance on May 11, 2021 on practical difficulties when applying retrospective of VAT on L/C charges of credit nature. - The SBV has sent OL No. 7390/NHNN-TD dated October 18, 2021 to the Ministry of Finance, stating its views on the classification of fees collected from L/C services, the legal basis of the classification; provided data on L/C fees collected by credit institutions from customers in the period 2011-2020 and confirmed that the view on retrospective VAT collections during the 10-year period is inappropriate. <p><u>2022:</u></p> <p>On October 12, 2022, BWG sent Official Letter No. 12102022BWGVBF to the Prime Minister & Government Office and SBV:</p> <p>“However, up to now, the Ministry of Finance has not yet issued a document guiding the application of VAT fee collection to the letter of credit product.</p> <p>In addition, in many tax audits/inspections at many domestic and foreign-invested banks and credit institutions, the inspection teams of the General Department of Taxation and the Tax Departments of provinces and cities are still applying tax treatment/collection in the spirit of Official Letter 1606/TCT-DNL.</p> <p>Accordingly, VAT fee for the letter of credit service is retrospectively collected, and subject to administrative violations and charged deferred payment fees from 2018 to present or recorded in the inspection minutes to wait for specific instructions from the Ministry of Finance and the General Department of Taxation. This causes many difficulties and impacts to the business activities of banks and credit institutions.</p> <p>BWG wish to receive the support and thorough consideration of the Prime Minister and the relevant Ministries in issuing detailed guidelines as soon as possible for the application of VAT on letter of credit services on the basis of no retroactive, no tax retroactive, no re-adjustment, VAT calculation is applied only from the date the Ministry of Finance (General Department of Taxation) has official documents guiding.”</p>	
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17.	(BWG AML) Transaction control issues related to unlicensed online games	<p>1. BWG sent OL No. 210719BWGVBF to MIC and SBV presenting the difficulties in implementing and asking for general guidance on unlicensed online games as follows:</p> <p>1.1. Regarding the request of official dispatch No. 585/NHNN-TT dated August 10, 2020 asking banks to refuse to process transactions related to unlicensed online games: SBV sent OL No. 998/TT4/NHNN-TT dated September 4, 2020 instructing BWG on payment connection.</p> <p>1.2. The inclusion of games with short keywords, few characters such as K8, M88, G88, GDW (Dispatch 830/TTGSNH11); R88, Long ho, B24 (Official Letter 551/TTGSNH5) and a string of characters written in Chinese, game publishers without identifying information (Official Letter 585/TTGSNH5) on the list of possible reviewers resulting in a very large number of inaccurate warnings, making it difficult to determine if these warnings are actually related to the online game. Therefore, BWG proposed the State Bank to clarify and provide further guidance.</p> <p>1.3. In controlling transactions related to customers in the field of hotels, bars, clubs, resorts, MCC codes 5813, 7011, etc. BWG has difficulty identifying licensed establishments from which to determine whether transactions with them are legitimate. BWG is looking forward to receiving guidance from the SBV on the list of licensed gambling service establishments in Vietnam.</p> <p>To ensure that the controls that block transactions to merchants with the relevant MCC code are</p>	BWG proposes to continue to coordinate with the MIC and update the SBV on this issue.

		<p>implemented efficiently, consistently, and comprehensively by all banks, we would like to receive guidance. guidance of the State Bank in understanding the list of MCCs related to transactions that are prohibited by law.</p> <p>1.4. Related legal regulations: Decree 03/2017/ND-CP, Circular 102/2017/TT-BTC on casino business has a 3-year pilot regulation allowing Vietnamese to be 21 years or older and have the capacity for civil acts to play at the casino business location permitted by the competent authority.</p> <p>Currently, BWG has no way to determine which businesses are on the list of allowed pilot, nor if the businesses have completed the pilot and are officially licensed to allow Vietnamese people to enter. We look forward to receiving further guidance from the SBV to make our transaction reporting more accurate and complete;</p> <p>2. BWG sent OL No. 01-141021BWGVBF on October 14, 2021: in which, the following issues continue to be presented:</p> <p>2.1. Request the SBV to give further comments to the Banking Association (VNBA) and financial institutions in order to support, facilitate and accelerate the connection and sharing of the above information as well as more guidance on the coordination of the whole industry in the prevention of violations in card activities.</p> <p>2.2. Regarding reporting standards: Due to the currently unknown channels as well as communication rules or clear response times, consensus between the Card Issuer and the Card Payment Institution, BWG has/will conduct a suspicious transaction report with the utmost effort, providing the most information upon request.</p> <p>BWG proposes to report suspicious transactions on a group basis based on common points in terms of information collected on customers' card transactions during the investigation process – a detailed reference sheet for each This method of card payment organization is attached with a suspicious transaction report template that will help report the information in a concise, consistent and concise manner.</p> <p>2021</p> <p>BWG received the following response:</p> <p>- The Ministry of Information and Communications (OL No. 1631/PTTH& TTDT) responds to BWG OL No. 210719BWGVBF:</p> <p>In addition to licensed online games, there are many games that are being released without authorization and that collect player fees through local payment agents, most of which are offered</p>	
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		<p>cross-border. to Vietnam through the Apple & Google app store.</p> <p>The Ministry of Information and Communications requests BWG to guide and request payment support Agencies to comply with the provisions of Clause 1, Article 9 of TT24/2014/TT-BTTTT.</p> <p>About the list of legal/licensed online games updated by the Ministry of Information and Communications once a month at websites: www.gameportal.gov.vn, ww.abei.vn; www.mic.gov.vn. It is recommended that BWG actively access and look up updated legally released games.</p> <p>Clause 2, Article 31 of Decree 72/2013/ND-CP stipulates that before considering and connecting payment for each game, payment-supporting enterprises may request online video game service providers to provide prescribed documents to provide sufficient grounds for connection or actively refuse or suspend the connection. In case of need, BWG can send to the Ministry of Information and Communications a list of games expected to connect payment for information.</p> <p>- SBV's OL No. 7069/NHNN-TTGSNH in response to BWG OL 210719BWGVBF:</p> <p>Card issuers and card payment organizations shall base on their responsibilities in accordance with applicable laws to carry out the task of monitoring and detecting suspicious card transactions and taking measures to handle these cases. In addition, card issuers and card payment organizations can coordinate and exchange information with each other and with international card organizations to prevent card transactions against the law.</p> <p>When card issuers detect suspicious signs related to cardholders (customers) or detect suspicious signs related to merchants, card issuers need to learn and collect information about their customers and about merchants (through coordination with the card payment organization), the card issuer and the card payment organization report suspicious transactions (which includes providing information about merchants obtained by card issuers).</p> <p>The SBV acknowledges the difficulties and problems related to AML law and will study and consider in the process of amending the AML Law.</p> <p>3. SBV (OL 980/NHNN-CucV.1) dated November 14, 2021 in response to CV No. 01-141021BWGVBF dated October 14, 2021:</p> <p>3.1. The SBV supports this proposal of the BWG and recommends VNBA to implement necessary measures to enhance the exchange, sharing and capture of information about subjects and merchants with a history of suspected law violations among the banks. banks, as well as advising the whole industry to direct documents in the prevention of card violations in the coming time.</p>	
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		<p>BTTTT detailing the management, provision and use of online video game services.</p> <p>4.3. In the case that banks open accounts for businesses providing video game services, each bank is responsible for fulfilling all requirements on customer identification for customers who are organizations. organization in accordance with the provisions of law on AML, including the inspection of the certificate of registration of providing G1, G2, G3, G4 video game services as prescribed in Circular 24/2014/TT-BTTTT. Therefore, the payment related to businesses providing video game services will be the responsibility of each bank where the business opens an account. In addition, other forms of payment mentioned in the official letter 585 such as using telecommunications scratch cards, game cards, e-wallets are not within the scope of products and services provided by the bank.</p> <p>4.4. In case the transaction review must be based on the specific list as provided in the official dispatches of the SBV, we wish to regularly update and receive sufficient information about these illegal/unlicensed games so that we can conduct the most accurate and effective screening. Proposing the SBV and the Ministry of Information and Communications to consider establishing a coordination mechanism to provide and update information on a regular basis and to notify banks so that banks can be informed to facilitate the review effectively and in accordance with regulations</p> <p>BWG, the State Bank and the Ministry of Information and Communications agreed at the meeting that: The Ministry of Information and Communications will study and work with relevant parties (Ministry of Public Security, State Bank of Vietnam) to consider promulgating an illegal list so that the State Bank and other banks can continue to coordinate in controlling transaction control, even for transactions where the bank acts as an intermediary such as payment between Visa/MasterCard and the game provider (including games provided cross-border into Vietnam via Apple & Google app stores.)</p> <p>The Ministry of Information and Communications takes note of the comments of the BWG and the State Bank for consideration in the process of amending Decree 72/2013/ND-CP in the near future.</p>	
18.	(BWG LC) Draft Decree on non-cash payment	<p>BWG contributed ideas, participated in the Appraisal Council and worked with the SBV and the Ministry of Justice in the process of drafting & developing the Decree.</p> <p>2022 – Response from the Payment Department.</p> <p>On May 27th, 2021, SBV submitted to the Government the Documents on a draft Decree for replacement of Decree No. 101/2012/ND-CP on non-cash payments. Because the draft Decree covers multiple new and complicated issues, SBV reported to the Government and the deadline for</p>	<p>BWG continues to coordinate with the State Bank (Payment Department), Ministry of Justice and related ministries and sectors in this</p>

		submission of the draft in the second quarter of 2022 has been approved.	issue.
19.	(BWG LC & IT) Draft Decree on Personal Data Protection	<p>Some key issues in the Draft Decree propose to discuss:</p> <p>(i) Handling of sensitive personal data: Regarding the banking sector's handling of sensitive personal data (regarding Articles 2, 20, 21, 24.4 and other provisions of the Draft Decree),</p> <p>(ii) Article 8: Consent of data subjects to personal data</p> <p>(iii) Point c) and g) Clause 2 Article 17 on statistics of activities related to personal data</p> <p>(iv) Clause 1 Article 21 - Regarding the requirement for original data to be stored in Vietnam:</p> <p>(v) Clause 3, Article 4 and Clause 3, Article 22 on a maximum fine of 5% of the total revenue of the personal data breach handler in Vietnam for a number of acts.</p> <p>(vi) Article 29. Effective date</p> <p>2022 – Responses of Departments and Agencies under the SBV:</p> <p>SBV submitted comments to the Ministry of Public Security, Government Office:</p> <p>- Official Letter No. 2100/NHNN-PC dated March 31st, 2021 to the Ministry of Public Security for comments on the draft Decree.</p> <p>- Official Letter No. 9141/NHNN-PC dated December 27th, 2021 to the Office of the Government providing Government member's comments on the draft Decree.</p> <p>In the new draft, there have been some changes compared to the draft in the Summary Table (for example, removing the provision of a maximum fine of 5% of the processor's total revenue in a personal data breach).</p> <p>The SBV agreed with the proposal of the BWG: will continue to coordinate with the BWG and the Ministry of Public Security in the process of amending and developing appropriate implementation guidelines on personal data protection for the banking industry.</p>	BWG will coordinate with the SBV & the Ministry of Public Security in the process of drafting and developing the Circular, with the aim of implementing appropriate regulations for the banking industry.
20.	(BWG LC & Consumer Finance) Official letter No. 2937/NHNN-TT dated May 4, 2022 on	<p>Official Letter 2937 as well as the Official Letter attached to Official Letter 2937 (Official Letter 948/BTTTT-PTTH&TTĐT dated 16/03/2022) refers to the pay television services on the internet ("OTT TV") of cross-border foreign enterprises that have not yet complied with Vietnam's content and service management and the main method of collecting charges through bank payment system. However, commercial banks are not clear about the responsibility of commercial banks in</p>	BWG continues to work closely with the SBV & the Ministry of Information and Communications in

	<p>the SBV payment control cross border television service provider (OTT TV)</p>	<p>coordinating with the Department of Information and Communication on content management and television services as well as specific requirements for payment for this type of service, as well as the responsibility of the commercial bank in checking the legality and compliance with the foreign exchange management of payments to OTT TV providers in compliance with their content and service management. Therefore, we hope to receive specific instructions & guidance from the SBV to be able to implement Official Letter 2937 and comply with relevant legal regulations.</p> <p><u>BWG received the response from SBV via official letter 7270/NHNN-TT on October 17, 2022</u></p> <p>Realizing the difficulties of payment service providers in implementing the request of the Ministry of Information and Communications at OL 948, along with sending documents to direct payment service providers, the State Bank (Department of Payments) has also sent documents to the Ministry of Information and Communications. In which, the difficulties of the banking industry are mentioned in the implementation process; clarify the responsibilities of ministries and branches in the management of goods and services. From there, it is proposed that the Ministry of Information and Communications: (i) study and finalize the regulations on management of cross-border OTT TV services on the Internet platform; (ii) take measures to prevent and remove products and services that do not conform to regulations; (iii) provide necessary information and documents for payment service providers as an implementation basis.</p> <p>In case payment service providers have difficulties in implementing the request of the Ministry of Information and Communications, payment service providers can directly give opinions to the Ministry of Information and Communications (Department of Radio, Television and Electronic Information).</p>	<p>this issue.</p>
21.	<p>(BWG Financial Market)</p> <p>Close-out netting in derivative transactions</p>	<p>BWG proposed SBV to allow Close-out netting in derivative transactions.</p> <p>- 2021: The BWG and the SBV discussed and closely coordinated in the process of developing the Draft Amendment to Circular 01/2015/TT-NHNN, through the form of comments on the Draft and held 2 technical meetings to discuss problems and propose amendments in Circular 01</p> <p>Circular 25/2021/TT-NHNN amending and supplementing Circular 01 stipulates that commercial banks and branches of the State Bank of Vietnam are allowed to make net settlement (clearing) in interest rate derivatives transactions.</p>	<p>As the Close-out netting in derivatives transactions is still related to the Bankruptcy Law, BWG proposes to continue to coordinate and work with the State Bank, the Ministry of Justice, the Supreme</p>

			People's Court in the process of amending the Bankruptcy Law & related regulations.
22.	(BWG LC & IT) Decree 53/2022/ND-CP guiding the Law on Cybersecurity	<p>In September 2022, BWG coordinated with VBF to send official letters to the Ministry of Public Security, the State Bank, and the Ministry of Planning and Investment on guiding the implementation of Decree 53.</p> <p>In the coming time, BWG proposes to the State Bank to support and propose to discuss with the Ministry of Public Security on how to understand and apply a number of related provisions as follows:</p> <p><i>1. Subjects regulated by Articles 26 and 27 of Decree 53:</i></p> <ul style="list-style-type: none"> - Clause 11 Article 2 of Decree 53 on the definition of "domestic enterprises" - Clause 12, Article 2 of Decree 53. <p><i>2. Related services/fields:</i> Article 26, Clause 3, Item a - there are a number of areas that have not been clearly defined in relevant Vietnamese laws or have different interpretations in each field. We would like to sincerely request the Ministry of Public Security to clarify this issue.</p> <p><i>3. Requirements for data storage in Vietnam:</i></p> <p>Article 26, Clause 5 stipulates: 5. The form of data storage in Vietnam shall be decided by enterprises.</p> <p><i>4. Types of data that must be stored in Vietnam - Article 26, Clause 1</i></p> <ul style="list-style-type: none"> - On December 22, 2022, the Ministry of Public Security cooperated with Vietnam Business Forum VBF to organize a Workshop on Dissemination of Decree 53 in Ho Chi Minh City. declaration in accordance with relevant regulations in the banking industry. 	BWG suggests to cooperate with the SBV and propose to discuss with the Ministry of Public Security on how to interpret and apply a number of relevant provisions in the banking industry.
C) GROUP 3: ISSUE HANDLED IN 2022			
23.	(BWG AML) Official Letter No. 830/TTGSNH11 dated May 27, 2019	<p><u>Extract from Official Letters: 200824BWGVBF dated August 24, 2020:</u></p> <p>The above documents have provided a number of lists containing about 330 websites alerted to provide online gambling/betting services with signs of legal violation and unlicensed video games. These websites may be active and/or shut down and/or only active at certain times. Banks are</p>	<p>DONE</p> <p>BWG continues to work with the Ministry of</p>

	<p>Official Letter No. 1080/NHNN-TT dated February 21, 2020</p> <p>Official Letter No. 233/NHNN-QLNH dated March 26, 2020</p> <p>Official Letter No. 551/TTGSNH5 dated May 14, 2020</p> <p>Official Letter No. 585/NHNN-TT dated August 10, 2020</p>	<p>required to:</p> <ol style="list-style-type: none"> 1. Strengthen inspection, monitoring and prevention of illegal transactions; 2. Regularly monitor and update the list of websites and applications showing signs of violation as stated in Clause 1, Article 11 of Circular No. 24/2014/TT-BTTTT dated December 29, 2014 at websites of the Ministry of Information and Communications https://www.mic.gov.vn/ ; and 3. Report to competent state agencies (such as Anti-Money Laundering Department; Police Department of peripheral/urban Districts or Province, City). <p>I. Difficulties in fulfilling requests in the Official Letters:</p> <ol style="list-style-type: none"> 1. Lack of information of beneficiary or merchant 2. Inability to control transaction based on payment content 3. Absence of specific guidance on the website of the Ministry of Information and Communications <p><u>4. Recommendation:</u></p> <ul style="list-style-type: none"> - For banks that do not provide online card payment acceptance services or provide a card accepting machine (POS machine), the Bank only checks once to ensure that accounts are not opened for individuals or organizations whose identification information is listed in the above Official Letters. For websites that do not have the complete identification information of beneficiaries or operators, we will not be able to check due to lack of information. - For banks that provide online card payment acceptance services or provide card-accepting machines (POS machines), we will ask customers to commit not to provide services to legal violating individuals/organizations. However, since some documents are marked as Confidential, we cannot provide detailed information. <p>II. More guidance is needed on preventing other illegal transactions</p> <p>BWG also hope to receive further guidance and support from the State Bank of Vietnam in detecting and preventing not only gambling and betting but also other illegal transactions in the card payment domain (electronic currency trading, gambling and forex trading, etc.)</p> <p>We would like to emphasize the important role of the SBV and the Payment Network in this fight against crime.</p> <ul style="list-style-type: none"> - BWG received response from the SBV on September 28, 2020 	<p>Information and Communications and update the SBV (if necessary).</p>
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24.	(BWG Financial Market) IBOR Alternative	<p>BWG is supporting the SBV in implementing the LIBOR interest rate alternative.</p> <p>BWG and the Monetary Policy Department have closely coordinated in exchanging and providing market information and practical implementation.</p>	DONE
25.	(BWG Financial Markets & LC) Decree on interest subsidies provided by state budget for loans of enterprises, cooperatives, and household businesses	<p>BWG has provided comments on the Draft Decree.</p> <p>Article 1. Scope and Article 2. Regulated Entities - Draft Decree</p> <ul style="list-style-type: none"> - BWG proposes to add “lending activities of foreign bank branches” to Article 1. Scope, and “foreign bank branches” to Article 2. Regulated entities of the Draft Decree to ensure the effective implementation of the Government's interest rate support policy. - Adding “foreign bank branches” to the relevant contents in the Draft Decree and Draft Circular to ensure regulatory consistency. 	DONE
26.	(BWG Financial Market, Finance & LC) Official Letter 5994/NHNN-CSTT on the reporting of foreign currency trading by credit institutions to customers	<p>BWG sent Official Letter No. 01-310822BWGVBF dated August 31, 2022, 02-310822BWGVBF dated August 31, 2022 stating some difficulties in implementing the requirements in Official Letter 5994/NHNN-CSTT on the reporting of foreign currency trading by credit institutions to customers & member foreign banks.</p> <p>In Official Letter No. 150922BWGVBF, BWG updated and reported to the SBV on the implementation practice and general approach of BWG members as in the process of banks' efforts to research and implement at the request of the SBV.</p> <p>BWG continued to discuss and received active support from the Monetary Policy Department - SBV in the appropriate implementation.</p>	DONE
27.	(BWG LC & Consumer Finance) Card transactions for donation and	<p><u>Extracted from Official Letter No. 100522BWGVBF of BWG to the SBV on May 10, 2022</u></p> <p>As regulated in Art.17.3.a,b,d Circular 19/2016/TT-NHNN dated 30 June 2016, amended, supplemented by Circular 28/2019/TT-NHNN on principles of card usage, scope of card usage:</p> <p>In fact, there are more clients with rising needs of card usage for donation to charities and</p>	DONE

	<p>contribution to charity and religious organizations purpose</p>	<p>contribution to religious organizations which are located in Vietnam and overseas. These card transactions are performed at merchants with certain MCC (Merchant Category Code) codes such as 8398, 5931, 8661. Definitions of these MCCs according to Visa/MasterCard are summarized as below:</p> <ul style="list-style-type: none"> - MCC 8398: Organizations, Charitable and Social Service including health care clinics, drug-stores, charities, etc. - MCC 5931: Second Hand Stores including stores which sell appliances, accessories, clothes, books, musical instruments, bikes, etc. including second-hand goods for contribution to charitable fund-raising activities. - MCC 8661: Organizations, Religious including religious organizations, mosques, churches, pagodas, etc. that provide worship services, religious training or study, religious activities, and fund-raising. <p>According to the categorization of these MCCs, International Card Organizations use the same MCC for trading of goods, providing services and fund-raising for charities and religious organizations. This type of categorization makes difficulty for issuing banks in managing and monitoring card transactions at merchants under these MCCs.</p> <p>We recognize that Vietnam regulations do not prohibit donation and contribution to charities and religious organizations. In addition, clients' demand for card usage to donate to charities and contribute to religious organizations is rising.</p> <p>To clarify more about the scope of card use for card transactions for the above purposes, BWG would like to request SBV's guidance to serve customers' needs and control card operations in a practical manner, ensuring compliance with the provisions of law.</p> <ul style="list-style-type: none"> - BWG received SBV's response via official letter No. 5667/NHNN-TT on August 16, 2022 	
28.	<p>(BWG Consumer Finance)</p> <p>Article 24.2 Circular 19/2016/TT-NHNN regulating banking card activities</p>	<ul style="list-style-type: none"> - BWG sent SBV Official Letter No. 210414BWGVBF dated April 14, 2021 to update the process of complying with Article 24.2 of Circular 19/2016/TT-NHNN. - BWG has received the guidance from SBV and continues to discuss with the SBV for appropriate implementation. 	DONE

29.	<p>(BWG LC)</p> <p>Decision 2182/QD-TTg in 2020 on the list of Banking Sector State secrets.</p>	<p>BWG sent comments to the SBV on March 2, 2021.</p> <p>1. Definition of information on the lists of state secrets</p> <p>We realize that the state secrets prescribed in Decision 2182 only includes information and documents created or issued by the SBV or other agencies, does not include information and documents created by credit institutions, foreign bank branches. Therefore, we understand that only the documents mentioned in Decision 2182 must be preserved in accordance with regulations on protection of state secrets. For documents or information created by credit institutions, foreign bank branches and required to be preserved under other regimes but not on the list of state assets in Decision 2182, they need to be preserved on a safe basis security in accordance with internal regulations of credit institutions and foreign bank branches, but they are not required to maintain according to regulations on protection of state assets.</p> <p>2. Amendment of regulations on document storage in the Banking industry</p> <p>Circular 43/2011/TT-NHNN stipulating the time limit for preserving records and archival documents in the banking industry and Decision 1913/2005/QD-NHNN on the regime of archiving accounting documents in the banking industry.</p> <p>We recommend that these two documents be reviewed, revised and supplemented to suit the new situation, especially in the 4.0 technology era when many documents are stored electronically</p> <p><u>2021:</u></p> <p>The SBV sent the BWG an email to respond to the BWG's recommendations on May 11, 2021.</p> <p><u>2022:</u></p> <p>Regarding amendments to regulations on keeping of documents in the Banking sector</p> <p>- <i>Regarding the proposed amendments to the Circular to replace Circular 43/2011/TT-NHNN:</i> On December 29th, 2021, SBV Governor issued Circular No. 22/2021/TT-NHNN providing for the duration for keeping records and documents formed during the operations of the State Bank of Vietnam. The Circular becomes effective since February 15th, 2022, replacing Circular 43/2011/TT-NHNN providing for the duration for keeping records and documents in the banking sector.</p> <p>- <i>Regarding the proposed amendments to Decision No. 1913/2005/QD-NHNN on the regime of keeping accounting documents in the banking sector:</i></p> <p>SBV has currently a plan for amendment and supplements of Decision No. 1913/2005/QD-NHNN. Thus, BWG is kindly recommended to provide specific practical issues during the implementation of</p>	DONE
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		Decision No. 1913 in particular as well as the keeping of accounting documents in general. SBV will study and take into account the issues under our authority in amending and promulgating the documents. For issues governed by Laws, Decrees and Circulars that are not within our scope of authority, SBV will work with the banking working group in consulting with other ministries and agencies.	
30.	(BWG AML) Prohibition of payments from/to Vietnam-Russia Joint Venture Bank (VRB)	<p>In order to minimize the risks related to sanctions, the Banking Working Group would like to inform the AML Department that all foreign financial institutions that are members of BWG - VBF will not be allowed to conduct transactions related to VRB payment via payment channels, including but not limited to: Interbank payment system (CITAD) of the State Bank, 24/7 Interbank Money Transfer Service of National Payment Joint Stock Company Vietnam (NAPAS) and NAPAS Card Switching Service. For the above reasons, BWG recommends that the SBV understand the risk-based approach and support BWG's SFIs to apply restrictive measures according to compliance requirements to ensure that their clients I do not deal with an organization that is on the designated embargo list.</p> <p>BWG also sent an Official Letter to Vietnam National Payment Joint Stock Company (NAPAS) requesting NAPAS to temporarily disconnect VRB from foreign banks according to the list of BWG members who are NAPAS members.</p> <p>- In Official Letter No. 495/2022/CV-NAPAS.PTKD dated June 27, 2022, NAPAS confirmed that it could not support BWG's request and will continue to work with BWG until there are new instructions from the relevant Ministries.</p>	DONE
31.	<u>(BWG Finance)</u> E-invoice	<p>2020:</p> <p>- BWG has sent Official Letter No. 200918BWGVBF to the Ministry of Finance asking for guidance on the following issues:</p> <ul style="list-style-type: none"> a) Mandatory time to start applying e-invoices b) Transfer e-invoice data directly to tax authorities c) Time to issue e-invoices d) Enterprises apply to issue electronic invoices during the period from the date of Decree 123/2020 issued to June 30, 2022, which Decree applies? e) Specific guidance on invoice issuance for some unique bank products 	DONE

	<p>The BWG had a meeting with the Ministry of Finance on (d) above on November 25, 2020.</p> <p>The Ministry of Finance responded as follows:</p> <p>“Promulgates, applies and takes effect under Decree 123:</p> <p>According to the provisions of Circular 88/2020/TT-BTC dated October 30, 2020 of the Ministry of Finance guiding e-invoices, e-invoices are still being applied according to the provisions of Decree 51/ 2010/ND-CP, Decree 04/2014/ND-CP and Circular 32/2011/TT-BTC of the Ministry of Finance and Decision 1209/2015/QD-BTC in 2015 of the Ministry of Finance are piloted. In-progress documents are still being worked on.</p> <p>If businesses have conditions to apply e-invoices in advance according to Decree 123/2020/ND-CP, they can be allowed to apply, but they must submit an official letter and get approval from the local tax authority. The process of applying Decree 123/2020/ND-CP is different from the current process. E-invoice is a system between an enterprise and a tax authority: facilities and infrastructure between the tax authority and the enterprise.</p> <p>In Decree 123/2020/ND-CP and Circular 88/2020/TT-BTC, the enforcement effect is clearly stated.</p> <p>Regarding administrative procedures and invoices, Decree 123/2020/ND-CP has a registration form for establishing a new business, applying for electronic invoices. If the enterprise is newly established, current regulations shall apply. If electronic invoices are selected, Decree 51/2010/ND-CP, Decree 04/2014/ND-CP and Decree 123/2020/ND-CP will be applied. At the present time, there are sufficient grounds to determine the validity in writing. In specific cases, it is recommended to propose to the tax office to solve problems.</p> <p>BWG sent official letter No. 02-141021BWGVBF dated October 14, 2021 to the Ministry of Finance and the General Department of Taxation to comment and re-state a number of points that need the official guidance of the BTC and GDT for the following issues:</p> <ul style="list-style-type: none"> f) Transfer e-invoice data directly to tax authorities g) Time of e-invoicing h) Specific instructions on issuing invoices for specific products of the bank. <p><u>2021 – Response from the Ministry of Finance:</u></p> <p>GDT has issued Official Letter No. 10/TCT-CS dated January 5, 2022 to reply to Official Letter No. 02-141021BWGVBF on this issue.</p>	
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		<p><u>2022– Ministry of Finance's response:</u></p> <p>On March 21, 2022, BWG sent Official Letter No. 210322BWGVBF to the Ministry of Finance and General Department of Taxation, proposing guidelines on E-Invoices. In it, BWG presented the practical implementation of the requirement to upgrade the electronic invoice system and some difficulties in the process of implementing Decision 206. Thereby, BWG respectfully requests the General Department of Taxation to understand and share difficulties and obstacles in the past period and approve BWG member banks to apply the time to convert electronic invoices and transmit data to the General Department of Taxation from July 1, 2022 as specified in Decree 123 and Circular 78, instead of the application period from April 2022 as required in Decision 206. GDT has issued Official Letter No. 1648/TCT-CS dated May 10, 2022 to reply to Official Letter No. 210322BWGVBF on this issue.</p> <p><u>2022 – Response from SBV:</u></p> <p>According to current regulations, the guidance on e-invoices is still applied according to the provisions of Decree 51/2010/ND-CP, Decree 04/2014/ND-CP and Circular 32/2011/TT-BTC of the Ministry of Finance and Decision 1209/2015/QD-BTC in 2015 of the Ministry of Finance for pilot application. From July 1, 2022, organizations will follow the instructions in Decree 123/2020/ND-CP and Circular 88/2020/TT-BTC dated October 30, 2020 of the Ministry of Finance. instructions for electronic invoices. This issue was answered by the Ministry of Finance to the BWG at the meeting on November 25, 2020, according to the report of the BWG, in which, the Ministry of Finance stated that if there are problems, it is recommended to the Tax Authority to be resolved. Therefore, on this issue, the Tax Office (Ministry of Finance) is the focal point to answer the BWG's problems and problems, and the State Bank is the Department to update information for information and monitoring.</p>	
32.	(BWG Finance) Transition roadmap to apply IFRS in Vietnam	<p>On March 16, 2020, the Minister of Finance issued Decision No. 345/QD-BTC approving the scheme on application of international financial reporting standards in Vietnam, including 3 phases: preparation (2020-2021), pilot (2022-2025), and application (after 2025).</p> <p>The application of IFRS in the banking sector: The Ministry of Finance has issued regulations on the application of IFRS and it is time for banks to apply this new standard. The Banking sector wishes to receive further instructions from the SBV in the application of IFRS to the particular banking industry. The adoption process is expected to be complex and resource-intensive (human and costly to attract external consultants) as well as a significant expected impact on banks' operations.</p> <p>BWG would like to know the detailed roadmap and expectations of the State Bank to be ready for</p>	<p>DONE</p> <p>BWG continues to work with the Ministry of Finance and update and coordinate with the SBV to prepare for appropriate implementation.</p>

		<p>implementation.</p> <p><u>2022 – Response of the Finance and Accounting Department, SBV:</u></p> <p>Pursuant to the provisions at Decision No. 345/QD-BTC dated March 16th, 2020 of the Minister of Finance approving the Plan for application of financial reporting standards in Vietnam, SBV issued Decision No. 1701/QD-NHNN dated October 29th, 2021 approving the <i>“Project for development of solutions and a roadmap for application of International Financial Reporting Standards to the system of Vietnamese credit institutions”</i> in the List of ministerial-level scientific and technological tasks in 2021 to determine the participants, roadmap, and plan for application of IFRS to credit institutions in accordance with the requirements from time to time.</p> <p>According to Sub-clause a, Clause 2.1.1, Article 2 of Decision No. 345/QD-BTC providing for the preparation phase (2020-2021) for the IFRS application roadmap:</p> <p><i>“- Developing and promulgating the Plan for application of financial reporting standards in Vietnam. Implementation period: By March 2020.</i></p> <p><i>- Setting up a Translation and Review Committee and completing the IFRS translation into Vietnamese. Implementation period: By December 2020.</i></p> <p><i>- Ministry of Finance develops, promulgates, or submits to competent authorities for promulgation of appropriate legal documents to announce the translation of IFRS into Vietnamese. Implementation period: By March 2021.</i></p> <p><i>- Ministry of Finance develops, promulgates, or submits to competent authorities for promulgation of legal documents on how to apply IFRS; Supplementing, amending, and promulgating new financial mechanisms related to the application of IFRS. Implementation period: By November 15, 2021.</i></p> <p><i>- Conducting training of human resource on implementation process for businesses.”</i></p> <p>However, Ministry of Finance has not yet announced the translation of IFRS into Vietnamese and has not issued the legal documents on how to apply IFRS; or supplementing, amending and issuing new financial mechanisms related to the application of IFRS as per the roadmap.</p> <p>In practice, being well aware of the benefits as well as challenges in the application of IFRS, relying on the experience of the parent banks in the IFRS applicable countries, most fully foreign-owned banks, foreign bank branches, and a number of domestic joint stock commercial banks have voluntarily prepared their financial statements in accordance with IFRS. Thus, regarding the roadmap for application of IFRS in general, and IFRS 9 in particular, Vietnamese credit institutions will, in principle, follow the general roadmap for businesses of other economic sectors provided for</p>	
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		<p>at Decision No. 345/QD-BTC.</p> <p>However, in order to apply IFRS in general and IFRS 9 in particular, credit institutions need to consider and identify the data for development of the formula and calculation of expected credit loss (ECL) using both historical data on credit losses and macroeconomic variables; at the same time, they need to supplement and amend policies and procedures on product development, investment, financial statement closing and preparation, assessment and presentation of results of business model assessment, assessment of individual credit risk, model management, etc. Therefore, the development of a roadmap for IFRS applications takes time because it requires comprehensive consideration.</p> <p>In the past time, as approved by Deputy Governor Dao Minh Tu, Finance and Accounting Department has worked with the Central Banking Training School and KPMG to organize a training program on international financial reporting standards for staff of a number of departments and agencies involved in the development and implementation of the roadmap for IFRS application in Vietnam (Finance and Accounting Department, Banking Supervision Agency, Monetary Policy Department, Legal Department, Monetary and Financial Stability Department). In the coming time, Finance and Accounting Department will work with relevant entities to conduct a survey of the needs and ability for IFRS application at credit institutions and assess the impact of IFRS application as a basis for preparation of a specific roadmap.</p>	
33.	<p>(BWG Consumer Finance)</p> <p>Decree 91/2020/ND-CP against spam messages, spam emails, spam calls</p>	<ul style="list-style-type: none"> - BWG sent OL No. 210407BWGVBF to MIC, SBV on April 7, 2021: Clearly stating the problems and difficulties of banks that have not yet responded to customers' requests to refuse to receive marketing emails as prescribed in Clause 3, Article 20 of Decree 91/2020 immediately. ND-CP on prevention of spam messages, spam emails and spam calls. It usually takes 2-4 working days for foreign banks to notify internally and implement changes in the global system. - Proposal: MIC to coordinate with SBV to consider providing guidance and accept appropriate implementation methods from banks to ensure data consistency and technical standards to avoid wasted resources, time, costs and reduce risks that may arise in financial services. - The Ministry of Information and Communications has OL No. 2634/BTTTT-QHQT dated July 19, 2021 in response to the BWG's OL as follows: “The termination of emails, advertising messages, and advertising calls specified in Clauses 4, Article 13 and Clause 3, Article 20 of Decree 91 is important to ensure the interests of users against the problem of emails, messages, spam calls. These measures need to be deployed automatically, 	<p>DONE</p> <p>BWG continues to work with the Ministry of Information and Communications during the course of amending and developing implementation guidelines on prevention of spam messages, spam emails, and spam</p>

		<p>synchronously, based on tools and software.</p> <p>Clause 1, Article 13; Clause 1, Article 11 of Decree 91 prescribes the principles of sending promotional emails, messages, and calling calls. The Ministry of Information and Communications requires that before sending advertising messages or making promotional calls to customers, banks need to check carefully to make sure that customer is not on the DNC list (Non-advertising list). In addition, now the connection to the DNC List is easy, convenient and the Ministry of Information and Communications (Information Security Administration) has detailed instructions at website ais.gov.vn. The SBV requests banks to access to follow instructions.”</p>	calls.
34.	(BWG Finance & IT) Official Letter No. 1305/TCT-KK of GDT on the provision of taxpayer account information	<p>In Official Letter No: 01072022BWGVBF dated July 1, 2022 to the Ministry of Finance and the General Department of Taxation, BWG has raised a number of challenges and issues that need guidance and consideration for the implementation of the requirements in the official letter. No. 1305/TCT-KK:</p> <p>(1.a) core banking system - core banking and data centers of foreign credit institutions not located in Vietnam; (1.b) the rigorous and time-consuming system modification – development process to adopt a uniform system worldwide; (1.c) duplicate requests to provide the same type of Business account information in different formats to GDT and local Tax Authorities; (1.d) ask for GDT's guidance regarding banks sending such data directly to GDT without data reconciliation, if banks ensure that their data meets data information requirements data of GDT.</p> <p><u>Recommendations:</u></p> <p>(i) We would like to sincerely request the GDT - MoF to consider issuing the date of submitting the first report on January 1, 2023 to assist foreign banks and credit institutions to build a process, system of tools to support enterprises to review, assess & make statistics of customers named in the list accurately and efficiently.</p> <p>(ii) We understand that the regulations officially issued by the General Department of Taxation will take effect to replace the data & requirements issued by the local Tax Departments. We respectfully request the State Bank to confirm our understanding.</p> <p>(iii) We would like to sincerely request the GDT - MoF to confirm our understanding at point 1.d in this official letter regarding the Bank's choice regarding data comparison and registration of taxpayers' tax identification data with the GDT.</p>	DONE

POSITION PAPER OF DIGITAL ECONOMY WORKING GROUP

INTRODUCTION

As the world adapted to social distancing and remote work, businesses and individuals have increasingly turned to digital platforms and services to conduct their activities. The pandemic has accelerated the shift towards a digital economy and highlighted the need for effective policies and regulations to address the issues that arise in this sector. With the economy still recovering from the impact of the pandemic, the digital economy is seen as a key driver for economic growth and job creation. However, it is important to ensure that the benefits of the digital economy are inclusive and that all citizens have access to the digital tools and services they need to participate in it.

In this position paper, we will examine the ways in which the digital economy can support economic recovery post-COVID and the challenges that need to be addressed to ensure that the digital economy is fair, inclusive, and sustainable. Furthermore, we will examine the various issues that need to be addressed in the digital economy, including cybersecurity, privacy, digital inclusion, regulation of platforms, employment and automation, taxes, data governance, and intellectual property rights. We will also examine the role that governments play in addressing these issues and propose solutions to ensure that the digital economy is beneficial for all.

The digital economy has become increasingly important in the wake of the COVID-19 pandemic and the resulting economic downturn, governments have a crucial role to play in addressing the challenges of this sector. Governments can establish regulations and policies to protect critical infrastructure and sensitive information from cyber-attacks, create laws to protect individuals' personal information and data privacy, create policies and programs to ensure that all citizens have access to the digital economy and the necessary skills to participate in it, create regulations to prevent the concentration of power in a few large technology companies and promote competition in the digital economy, create policies and programs to support workers affected by automation, establish laws and regulations to ensure that digital businesses pay their fair share of taxes, establish regulations and policies to ensure the responsible use and management of data generated by digital platforms and services and ensure protection of intellectual property rights.

It is important for government to understand the importance of the digital economy in the current and post-COVID era, to drive economic growth and job creation, and take appropriate measures to address the challenges and issues in the sector to ensure that the benefits of the digital economy are inclusive for all.

I. FORGING VIETNAM'S DIGITAL COMPETENCE IN ASIA

1. Build Core Competences on 'Six Digital Technologies'

Building core competencies on "Six Digital Technologies" is essential for ensuring that a country is competitive in the global digital economy. These technologies include Artificial Intelligence, Big Data, Cloud Computing, The Internet of Things, 5G and Blockchain. Mastering these technologies will allow countries to develop new products and services, improve operational efficiency, and create new jobs.

Vietnam has demonstrated its potential in the blockchain industry, particularly in terms of having a significant number of blockchain developers, and has seen successful startups emerge in the sector. Although Vietnam still has some way to go to become a global leader in blockchain technology, the government has taken proactive steps to develop the industry, prioritizing investment and research in the technology and establishing research facilities to explore potential applications in finance and logistics, among other industries. Viet Nam is a player in this competitive market, there are several challenges that need to be addressed in order to build core competencies on these technologies:

- Prioritize investment in research and development: The government should prioritize resources or funding to invest in the research and development of these technologies.
- Develop digital talent: to attract, develop and retain digital talent are the core activities to building core competencies.
- Open access to global markets: digital economy is an open playground, the earlier Vietnam joins and accepts the rule, the better advantage will be.
- Develop digital infrastructure: the back bone of digital economy is digital infrastructure to support the implementation and use of these technologies.

To address these challenges, we propose several solutions:

- Encourage investment in research and development: Government can provide tax incentives and funding for research and development to encourage companies and institutions to invest in these technologies.
- Foster a digital talent pipeline: Government can invest in education and training programs to develop a digital talent pipeline for companies to draw from.
- Promote international trade: Government can provide support and resources to help companies and institutions access global markets and expand their reach.
- Invest in digital infrastructure: Government can invest in digital infrastructure such as high-speed internet, data centers and cloud computing facilities to support the implementation and use of these technologies.
- Encourage Public-Private Partnership: Government can foster collaboration between the public and private sectors to share expertise, resources, and knowledge.

By implementing these solutions, government can help to build core competencies on "Six Digital Technologies" which will drive economic growth and competitiveness in the digital age. Having a strong foundation in these technologies will allow a country to fully participate and compete in the global digital economy.

2. Protizing the Foundation for Digital Competence (AI, Data, Cloud, SW)

As we look to the future, cutting edge technologies such as Artificial Intelligence, Big Data, Cloud Computing, and Software Development will play a crucial role in driving economic growth and improving our daily lives. These technologies have the potential to revolutionize industries, create new opportunities, and solve some of our most pressing challenges.

However, as we look to prioritize the development of these technologies, we must also be aware of the potential risks and challenges that they bring. For example, as we look to harness the power of artificial intelligence, we must also ensure that we are not creating new forms of inequality or putting people's jobs at risk. And as we collect and use more data, we must also ensure that we are protecting individuals' privacy and security.

To address these challenges, we propose several solutions.

First, we must invest in research and development to ensure that our country remains at the forefront of technological progress. This means providing funding for universities and companies to conduct research in these areas and creating incentives for businesses to invest in cutting edge technologies.

Second, we must also focus on creating a strong workforce that is equipped to work with these technologies. This means investing in training and education programs that provide workers with the skills they need to succeed in the digital economy, particularly in the areas of AI, data, cloud, and software development.

Third, we must also create regulations that ensure that these technologies are developed and used in an ethical and responsible manner. This means establishing guidelines for the use of AI, data, cloud, and software, and creating oversight mechanisms to ensure that these technologies are not misused or abused.

Finally, we must work to ensure that the benefits of these technologies are shared by all. We must create policies that ensure that these technologies are accessible to everyone, regardless of their socio-economic status, and that they are used to create opportunities and solve pressing problems, rather than exacerbating existing inequalities.

3. Building a Faster, Safer and More Reliable Network

The world is evolving around technology to connect us to the world, the importance of a fast and safe network has never been more critical. Whether it's for work, education, or staying in touch with loved ones, a reliable and secure network is essential for our daily lives.

However, as the demand for faster and more reliable networks continues to grow, the government must also be aware of the potential risks and challenges that come with building and maintaining these networks. For example, as Vietnam looks to deploy 5G technology, the government and the telecom sector must also ensure that we are not creating new vulnerabilities or exposing ourselves to cyber-attacks.

To address these challenges, we propose several solutions. First, we must invest in the infrastructure necessary to build and maintain a faster and safer network. This means upgrading existing infrastructure and building new networks, particularly in underserved areas.

Second, Telecom Sector must also focus on creating a secure network. This means investing in cybersecurity measures to protect against cyber-attacks and ensuring that the networks are resilient to potential threats.

Third, the government must also create regulations that ensure that network providers are held accountable for the security and reliability of their networks. This means establishing guidelines for network providers to follow and creating oversight mechanisms to ensure that these guidelines are being met.

Fourthly, the government must work to ensure that the benefits of these technologies are shared by all. New policies should ensure that these technologies are accessible to everyone, regardless of their socio-economic status, and that they are used to create opportunities and solve pressing problems, rather than exacerbating existing inequalities.

4. Incubate the High-Tech Talent Pool Ready for Innovation

Vietnam's ultimate goal in the digital area is to build a strong and sustainable digital economy, it is clear that having a talented and skilled workforce is essential. To compete in the global market, it is important to incubate a high-tech talent pool that can be the foundation for future innovation and growth.

However, to achieve this goal, there are the potential challenges and issues that come with it. For example, ensuring that all citizens have access to the necessary education and training, regardless of their socio-economic status, to secure the necessary skills for the digital economy. Additionally, with the fast pace of technological change, there is the risk of the workforce being left behind, hence the need for constant reskilling and upskilling.

Therefore, our suggestions are:

- First, the government must invest in education and training programs that provide citizens with the skills they need to succeed in the digital economy. This means providing funding for universities and colleges to conduct research in these areas and creating incentives for businesses to invest in training and education.
- Second, prioritize creating a strong workforce that is equipped to work with these technologies. This means investing in retraining programs for workers affected by automation and ensuring that they have the skills they need to succeed in the digital economy.
- Third, developing the regulations to ensure that these technologies are developed and used in an ethical and responsible manner. This means establishing guidelines for the use of AI, data, cloud, and software, and creating oversight mechanisms to ensure that these technologies are not misused or abused.
- Finally, the government and their agent must work to ensure that the benefits of these technologies are shared by all. We must create policies that ensure that these technologies are accessible to everyone, regardless of their socio-economic status, and that they are used to create opportunities and solve pressing problems, rather than exacerbating existing inequalities.

5. Fostering A Digital Platform Industry with No Boundaries

As the world becomes more connected, it's important that we foster a digital platform industry that transcends boundaries. By breaking down barriers and allowing for seamless communication and collaboration, Vietnam can open new doors for innovation and economic growth. But to truly realize this potential, the government must address several key issues.

- First, the government needs to ensure that digital platforms are inclusive and accessible to all by eliminating barriers to entry and providing opportunities for underrepresented groups to participate in the digital economy.
- Second, the government needs to address the issue of data privacy and security. With the increasing amount of personal information being shared on digital platforms, it's important that Vietnam has strong protections in place to keep this information safe and secure.
- Third, Vietnam must also address the issue of digital monopolies. As a few large companies dominate the digital platform industry, it's important that Vietnam government and their agencies need to promote competition and prevent the concentration of power in a small number of companies.

To address these issues, we propose several solutions.

- First, the government must create policies and programs that promote digital inclusion and eliminate barriers to entry for underrepresented groups.
- Second, the government must invest in cybersecurity measures to protect personal information and prevent data breaches.
- Third, the government must create regulations to promote competition in the digital platform industry and prevent the concentration of power in a small number of companies.
- Finally, the government must invest in research and development to ensure that our country remains at the forefront of technological progress in the digital platform industry. This means providing funding for universities and companies to conduct research in these areas and creating incentives for businesses to invest in new and innovative technologies. By fostering a digital platform industry that transcends boundaries and addressing key issues such as inclusivity, data privacy and security, and monopolies, we can create a digital economy that is fair, inclusive, and sustainable for all.

II. THE EXPANDING DIGITAL ECONOMY

The world becomes more connected and technology-driven, it is crucial that we focus on strengthening the competitiveness of the service industry as well as advanced technology application in manufacturing and new growth engine for agriculture, livestock, and fisheries. This is vital to remain competitive in the global marketplace, and to drive economic growth and job creation in these sectors. However, there are several key issues that must be addressed to achieve this goal.

- One issue is the lack of skilled workforce. The fact is the digital skills are not equal across industries, to remain competitive, it is important to have a highly trained and skilled workforce that can deliver high-quality services and apply advanced technologies to manufacturing, agriculture, livestock, and fisheries, which is the main export of Vietnam. This means investing in education and training programs that provide citizens with the skills they need to succeed in these sectors.
- Another issue is the lack of access to new technologies and digital tools. These tools are essential for businesses to stay competitive, and it is important that they have access to the latest technologies to improve their services and increase productivity and efficiency in the manufacturing, agriculture, livestock, and fisheries sectors.
- A third issue is the lack of support for small and medium-sized businesses. These businesses are the backbone of the service industry, manufacturing, and these agricultural sectors, and it is important that we provide them with the support they need to thrive.

To address these issues, we propose a number of solutions.

- First, the government must invest in education and training programs that provide citizens with the skills they need to succeed in the service industry, manufacturing, even agriculture, livestock, and fisheries.
- Second, the government must also focus on creating a strong workforce that is equipped to work with new technologies and digital tools. This means investing in retraining programs for workers affected by automation and ensuring that they have the skills they need to succeed in these sectors.
- Third, the government must also create regulations that ensure that small and medium-sized businesses have access to the same resources and opportunities as larger companies in the service industry, manufacturing, agriculture, livestock, and fisheries. This can include providing tax incentives, offering small business loans, and creating programs that provide technical assistance to help these businesses grow.
- Fourth, the government must also work to improve the business environment and create a conducive ecosystem for these sectors to grow. This can include providing infrastructure, reducing red tape, providing access to finance, and creating a stable economic and political environment.
- Finally, the government must also focus on promoting innovation and encouraging businesses to adopt new technologies and digital tools in the service industry, manufacturing, agriculture, livestock, and fisheries. This can include providing funding for research and development and creating incentives for businesses to invest in new technologies.

III. AN INCLUSIVE DIGITAL SOCIETY

1. Build a Safe and Pleasant Digital Environment to All Citizens

As the world becomes more digitalized, it is essential that the government focuses on creating a safer and more pleasant living environment for all citizens and ensure that everyone has access to the benefits of the digital world. This means addressing several key issues that can affect the quality of life and well-being of citizens.

One issue is the lack of access to digital tools and services. This includes access to high-speed internet, digital devices, and digital literacy skills. This can limit citizens' ability to participate fully in the digital economy and access important services like healthcare and education.

Another issue is the risk of cybercrime and data breaches. As more personal information is shared online, it's important to ensure that citizens' personal information is kept safe and secure.

A third issue is the impact of technology on mental health and well-being. As the use of digital technology becomes increasingly prevalent, it's important to ensure that citizens are using it in a responsible and healthy manner.

To address these issues, we propose a number of solutions. First, we must invest in programs and infrastructure that provide access to digital tools and services to all citizens, regardless of their socio-economic status.

Second, the government must invest in cybersecurity measures to protect personal information and prevent data breaches.

Third, the government must create regulations and policies that ensure the responsible use of digital technology and promote healthy digital habits.

Fourth, the government must also invest in research and development to understand the impact of digital technology on mental health and well-being and develop solutions to mitigate negative effects, while ensuring that the benefits of digital technology are shared by all, and that no one is left behind in the digital age.

2. Prepare For the Newly Born Digital Community

Digitalization comes with digital community; it is important that we focus on creating communities that are reborn digitally. This means building digital infrastructure, providing digital literacy and access to digital tools and services, and leveraging digital technology to create new opportunities for citizens. It's the government and the private sectors responsibilities to create a community where citizens can fully participate in the digital economy and access important services like healthcare and education, regardless of their socio-economic status. The term "digitally born" refers to individuals who have grown up in a world that is heavily dependent on digital technology and are therefore more likely to have access to digital tools and services and be comfortable using them. By ensuring that all citizens have access to digital technology and the skills to use it, Vietnam can create a community where everyone is able to participate in the digital economy and access the benefits it has to offer, regardless of whether they are "digitally born" or not.

If not well managed, the gaps between the group who has access to digital tools and services and the group who does not, can cause several issues such as:

- **Economic Disadvantage:** Individuals without access to digital tools and services may struggle to find and apply for jobs, access educational and training opportunities, and participate in the digital economy, leading to economic disadvantage.
- **Social Isolation:** Individuals without access to digital tools and services may struggle to connect with friends and family, access healthcare and other important services, and participate in community activities, leading to social isolation.
- **Digital Divide:** The gap in access to digital tools and services can lead to a digital divide, where individuals with access to digital technology have an advantage over those without access.
- **Educational Disadvantage:** Students without access to digital tools and services may struggle to complete homework assignments, access online resources, and participate in online learning, leading to an educational disadvantage.
- **Health Disadvantage:** Individuals without access to digital tools and services may struggle to access healthcare services, leading to health disadvantage.
- **Limited opportunities:** Those who do not have access to digital tools and services may have limited opportunities to access information, education, health services and other benefits that digital tools and services can provide.
- **Cybercrime and Data breaches:** Individuals without access to digital tools and services may be more vulnerable to cybercrime and data breaches, which can lead to financial losses and harm to personal reputation.
- **Lack of representation:** People who are not able to participate in the digital world may not be able to express their opinions, participate in political processes and be represented in decision-making, leading to a lack of representation in the digital world.

These issues can have a significant impact on individuals' quality of life and well-being and can limit their ability to participate fully in society. Therefore, it is important to address the gap between the group who has access to digital tools and services and the group who does not, to ensure that all citizens have access to the benefits of the digital world and the opportunity to participate fully in society.

There are several ways to ensure that the benefits of the digital world are shared by all citizens, while reducing the gap between those who have access to digital technology and those who do not. Some possible ways are:

- **Providing access to digital tools and services:** Investing in programs and infrastructure that provide access to digital tools and services, such as high-speed internet and digital devices, to all citizens, regardless of their socio-economic status can help to reduce the digital divide and ensure that everyone has access to the benefits of the digital world.
- **Digital Literacy Programs:** Investing in digital literacy programs that teach citizens how to use digital tools and services can help to bridge the digital divide and ensure that everyone is able to participate in the digital economy and access the benefits it has to offer.
- **Bridging the digital divide:** Creating policies and programs that bridge the digital divide, such as providing subsidies for internet access or digital devices, can help to ensure that all citizens have access to digital technology and the skills to use it.
- **Community engagement:** Engaging citizens in the process of creating digitally reborn communities and creating opportunities for citizens to provide input and feedback, can help to ensure that all citizens are able to participate in the digital economy and access the benefits it has to offer.
- **Digital innovation and entrepreneurship:** Creating opportunities for digital innovation and entrepreneurship, such as providing funding for research and development, can help to spur economic growth and job creation in these communities, and ensure that all citizens are able to participate in the digital economy and access the benefits it has to offer.
- **Inclusive regulations:** Creating regulations that promote competition and prevent the concentration of power in a few large technology companies can help to ensure that the benefits of the digital economy are shared by all citizens, regardless of their socio-economic status.
- **Providing targeted support:** Government can provide targeted support to specific groups such as low-income households, rural areas, elderly, and disabled individuals to ensure that they are not left behind in the digital age.
- **Public-private partnership:** Government and private sector can work together to develop digital skills training programs, provide digital literacy classes, and other initiatives that can help to close the digital divide.
- **Measuring and monitoring the gap:** Regularly measuring and monitoring the digital divide can help to identify areas where additional support is needed and track progress in reducing the gap.
- **Collaboration with the civil society:** Government should collaborate with the civil society organizations such as non-profits, community groups, and social enterprises to reach and support marginalized groups, who are less likely to have access to digital tools and services.

IV. INNOVATE THE DIGITAL CULTURE

1. Build A Digital Innovation Culture Led by The Private Sector

Settlement of a digital innovation culture led by the private sector is crucial for driving economic growth and competitiveness in the digital age. A culture of innovation encourages and supports the development of new products and services, the creation of new jobs, and the growth of new industries. However, regulatory challenges and conflicts can hinder innovation and stifle economic growth.

One of the main issues that need to be addressed is the lack of regulatory clarity and consistency. This can create confusion and uncertainty for companies, making it difficult for them to innovate and invest in new technologies. Additionally, conflicts between different levels of government can

create confusion and inconsistencies in regulations, making it difficult for companies to navigate the regulatory landscape.

To address these challenges, we propose several solutions:

- **Develop a clear and consistent regulatory framework:** Government can work to develop a clear and consistent regulatory framework that provides certainty for companies and helps to promote innovation.
- **Encourage regulatory innovation:** Government can encourage regulatory innovation by creating a flexible regulatory environment that allows for experimentation and adaptation as technology evolves.
- **Address conflicts between different levels of government:** Government can work to address conflicts between different levels of government by creating a cohesive and coordinated approach to regulation.
- **Encourage collaboration between government and the private sector:** Government can work with the private sector to share expertise and develop regulations that promote innovation while protecting the public interest.
- **Establish a regulatory review process:** Government can establish a regular review process to evaluate and update regulations to ensure they remain relevant and effective.

By implementing these solutions, government can help to establish a culture of innovation led by the private sector while addressing regulatory challenges and conflicts that can hinder innovation and economic growth. A clear and consistent regulatory framework, together with a culture of innovation, can create a fertile environment for the private sector to thrive, foster economic growth and competitiveness.

Moreover, the government can act as a catalyst to promote digital innovation and research, spurring the growth of an innovation culture. By creating favorable economic conditions such as tax breaks, grants, and other financial support, Vietnamese and FDI companies can be incentivized to invest in new technologies and research, resulting in the development of innovative products and services, the creation of new jobs, and the expansion of emerging industries. This is particularly critical in our modern world, where technology is transforming the nature of work and freeing up people's time and resources to explore new horizons.

2. Prepare the Basic Legislation for Digital Economy & Society

The preparation of basic legislation for digital economy and society is essential for ensuring that the benefits of the digital world are shared by all citizens and that the digital economy operates in a fair, inclusive, and sustainable way. Without proper legislation, it is difficult to address issues such as cybersecurity, data privacy, digital inclusion, and competition in the digital economy.

One of the main issues that needs to be addressed is the need for clear and comprehensive legislation that covers a wide range of digital issues. This includes laws and regulations that protect personal data, prevent cybercrime, and ensure that digital platforms and services are accessible to all citizens.

To address these challenges, we propose several solutions:

- **Develop a comprehensive legal framework:** Governments can work to develop a comprehensive legal framework that covers a wide range of digital issues, including cybersecurity, data privacy, digital inclusion, and competition in the digital economy.

- Create specific laws and regulations: Governments can create specific laws and regulations that address specific digital issues, such as data protection, digital inclusion, and digital rights.
- Promote international cooperation: Governments can promote international cooperation in the development of digital legislation to ensure that regulations are consistent across borders and that global digital issues are addressed effectively.
- Encourage public consultation: Governments can encourage public consultation and engagement in the development of digital legislation to ensure that the needs of all citizens are considered.
- Establish a review process: Governments can establish a regular review process to evaluate and update digital legislation to ensure that it remains relevant and effective.

By implementing these solutions, governments can ensure that the digital economy operates in a fair, inclusive, and sustainable way, and that the benefits of the digital world are shared by all citizens. Clear and comprehensive legislation that covers a wide range of digital issues is crucial for addressing the challenges and issues that arise in the digital economy and society. If the government fails to act on the preparation of basic legislation for digital economy and society, it can lead to several issues such as:

- Lack of privacy and security: Without proper legislation, individuals may be at risk of having their personal data and information compromised, and companies may not have the necessary regulations in place to protect against cybercrime.
- Inadequate protection for consumers: Without proper legislation, consumers may be at risk of being exploited by digital platforms and services and may not have adequate protection against fraud and other forms of deception.
- Limited digital inclusion: Without proper legislation, individuals and communities who are not yet fully connected to the digital world may be left behind and not be able to fully participate in the digital economy.
- Market concentration: Without proper legislation, digital platforms and services may become too dominant, leading to a lack of competition in the market, which can lead to higher prices for consumers and stifle innovation.
- Limited economic growth: Without proper legislation, the digital economy may not be able to reach its full potential, leading to limited economic growth and job creation.
- Lack of representation: Without proper legislation, certain groups may be underrepresented in the digital economy and society, leading to a lack of representation in decision-making.
- Limited access to information, education, and health services: Without proper legislation, certain groups may not have access to the same level of information, education and health services as others, leading to inequalities and disparities.

It is important for the government to act on the preparation of basic legislation for digital economy and society to address these issues and ensure that the digital economy operates in a fair, inclusive, and sustainable way for all citizens.

POSITION PAPER OF DIGITAL ECONOMY WORKING GROUP

INTRODUCTION

As the world adapted to social distancing and remote work, businesses and individuals have increasingly turned to digital platforms and services to conduct their activities. The pandemic has accelerated the shift towards a digital economy and highlighted the need for effective policies and regulations to address the issues that arise in this sector. With the economy still recovering from the impact of the pandemic, the digital economy is seen as a key driver for economic growth and job creation. However, it is important to ensure that the benefits of the digital economy are inclusive and that all citizens have access to the digital tools and services they need to participate in it.

In this position paper, we will examine the ways in which the digital economy can support economic recovery post-COVID and the challenges that need to be addressed to ensure that the digital economy is fair, inclusive, and sustainable. Furthermore, we will examine the various issues that need to be addressed in the digital economy, including cybersecurity, privacy, digital inclusion, regulation of platforms, employment and automation, taxes, data governance, and intellectual property rights. We will also examine the role that governments play in addressing these issues and propose solutions to ensure that the digital economy is beneficial for all.

The digital economy has become increasingly important in the wake of the COVID-19 pandemic and the resulting economic downturn, governments have a crucial role to play in addressing the challenges of this sector. Governments can establish regulations and policies to protect critical infrastructure and sensitive information from cyber-attacks, create laws to protect individuals' personal information and data privacy, create policies and programs to ensure that all citizens have access to the digital economy and the necessary skills to participate in it, create regulations to prevent the concentration of power in a few large technology companies and promote competition in the digital economy, create policies and programs to support workers affected by automation, establish laws and regulations to ensure that digital businesses pay their fair share of taxes, establish regulations and policies to ensure the responsible use and management of data generated by digital platforms and services and ensure protection of intellectual property rights.

It is important for government to understand the importance of the digital economy in the current and post-COVID era, to drive economic growth and job creation, and take appropriate measures to address the challenges and issues in the sector to ensure that the benefits of the digital economy are inclusive for all.

I. FORGING VIETNAM'S DIGITAL COMPETENCE IN ASIA

1. Build Core Competences on 'Six Digital Technologies'

Building core competencies on "Six Digital Technologies" is essential for ensuring that a country is competitive in the global digital economy. These technologies include Artificial Intelligence, Big Data, Cloud Computing, The Internet of Things, 5G and Blockchain. Mastering these technologies will allow countries to develop new products and services, improve operational efficiency, and create new jobs.

Vietnam has demonstrated its potential in the blockchain industry, particularly in terms of having a significant number of blockchain developers, and has seen successful startups emerge in the sector. Although Vietnam still has some way to go to become a global leader in blockchain technology, the government has taken proactive steps to develop the industry, prioritizing investment and research in the technology and establishing research facilities to explore potential applications in finance and logistics, among other industries. Viet Nam is a player in this competitive market, there are several challenges that need to be addressed in order to build core competencies on these technologies:

- Prioritize investment in research and development: The government should prioritize resources or funding to invest in the research and development of these technologies.
- Develop digital talent: to attract, develop and retain digital talent are the core activities to building core competencies.
- Open access to global markets: digital economy is an open playground, the earlier Vietnam joins and accepts the rule, the better advantage will be.
- Develop digital infrastructure: the back bone of digital economy is digital infrastructure to support the implementation and use of these technologies.

To address these challenges, we propose several solutions:

- Encourage investment in research and development: Government can provide tax incentives and funding for research and development to encourage companies and institutions to invest in these technologies.
- Foster a digital talent pipeline: Government can invest in education and training programs to develop a digital talent pipeline for companies to draw from.
- Promote international trade: Government can provide support and resources to help companies and institutions access global markets and expand their reach.
- Invest in digital infrastructure: Government can invest in digital infrastructure such as high-speed internet, data centers and cloud computing facilities to support the implementation and use of these technologies.
- Encourage Public-Private Partnership: Government can foster collaboration between the public and private sectors to share expertise, resources, and knowledge.

By implementing these solutions, government can help to build core competencies on "Six Digital Technologies" which will drive economic growth and competitiveness in the digital age. Having a strong foundation in these technologies will allow a country to fully participate and compete in the global digital economy.

2. Protizing the Foundation for Digital Competence (AI, Data, Cloud, SW)

As we look to the future, cutting edge technologies such as Artificial Intelligence, Big Data, Cloud Computing, and Software Development will play a crucial role in driving economic growth and improving our daily lives. These technologies have the potential to revolutionize industries, create new opportunities, and solve some of our most pressing challenges.

However, as we look to prioritize the development of these technologies, we must also be aware of the potential risks and challenges that they bring. For example, as we look to harness the power of artificial intelligence, we must also ensure that we are not creating new forms of inequality or putting people's jobs at risk. And as we collect and use more data, we must also ensure that we are protecting individuals' privacy and security.

To address these challenges, we propose several solutions.

First, we must invest in research and development to ensure that our country remains at the forefront of technological progress. This means providing funding for universities and companies to conduct research in these areas and creating incentives for businesses to invest in cutting edge technologies.

Second, we must also focus on creating a strong workforce that is equipped to work with these technologies. This means investing in training and education programs that provide workers with the skills they need to succeed in the digital economy, particularly in the areas of AI, data, cloud, and software development.

Third, we must also create regulations that ensure that these technologies are developed and used in an ethical and responsible manner. This means establishing guidelines for the use of AI, data, cloud, and software, and creating oversight mechanisms to ensure that these technologies are not misused or abused.

Finally, we must work to ensure that the benefits of these technologies are shared by all. We must create policies that ensure that these technologies are accessible to everyone, regardless of their socio-economic status, and that they are used to create opportunities and solve pressing problems, rather than exacerbating existing inequalities.

3. Building a Faster, Safer and More Reliable Network

The world is evolving around technology to connect us to the world, the importance of a fast and safe network has never been more critical. Whether it's for work, education, or staying in touch with loved ones, a reliable and secure network is essential for our daily lives.

However, as the demand for faster and more reliable networks continues to grow, the government must also be aware of the potential risks and challenges that come with building and maintaining these networks. For example, as Vietnam looks to deploy 5G technology, the government and the telecom sector must also ensure that we are not creating new vulnerabilities or exposing ourselves to cyber-attacks.

To address these challenges, we propose several solutions. First, we must invest in the infrastructure necessary to build and maintain a faster and safer network. This means upgrading existing infrastructure and building new networks, particularly in underserved areas.

Second, Telecom Sector must also focus on creating a secure network. This means investing in cybersecurity measures to protect against cyber-attacks and ensuring that the networks are resilient to potential threats.

Third, the government must also create regulations that ensure that network providers are held accountable for the security and reliability of their networks. This means establishing guidelines for network providers to follow and creating oversight mechanisms to ensure that these guidelines are being met.

Fourthly, the government must work to ensure that the benefits of these technologies are shared by all. New policies should ensure that these technologies are accessible to everyone, regardless of their socio-economic status, and that they are used to create opportunities and solve pressing problems, rather than exacerbating existing inequalities.

4. Incubate the High-Tech Talent Pool Ready for Innovation

Vietnam's ultimate goal in the digital area is to build a strong and sustainable digital economy, it is clear that having a talented and skilled workforce is essential. To compete in the global market, it is important to incubate a high-tech talent pool that can be the foundation for future innovation and growth.

However, to achieve this goal, there are the potential challenges and issues that come with it. For example, ensuring that all citizens have access to the necessary education and training, regardless of their socio-economic status, to secure the necessary skills for the digital economy. Additionally, with the fast pace of technological change, there is the risk of the workforce being left behind, hence the need for constant reskilling and upskilling.

Therefore, our suggestions are:

- First, the government must invest in education and training programs that provide citizens with the skills they need to succeed in the digital economy. This means providing funding for universities and colleges to conduct research in these areas and creating incentives for businesses to invest in training and education.
- Second, prioritize creating a strong workforce that is equipped to work with these technologies. This means investing in retraining programs for workers affected by automation and ensuring that they have the skills they need to succeed in the digital economy.
- Third, developing the regulations to ensure that these technologies are developed and used in an ethical and responsible manner. This means establishing guidelines for the use of AI, data, cloud, and software, and creating oversight mechanisms to ensure that these technologies are not misused or abused.
- Finally, the government and their agent must work to ensure that the benefits of these technologies are shared by all. We must create policies that ensure that these technologies are accessible to everyone, regardless of their socio-economic status, and that they are used to create opportunities and solve pressing problems, rather than exacerbating existing inequalities.

5. Fostering A Digital Platform Industry with No Boundaries

As the world becomes more connected, it's important that we foster a digital platform industry that transcends boundaries. By breaking down barriers and allowing for seamless communication and collaboration, Vietnam can open new doors for innovation and economic growth. But to truly realize this potential, the government must address several key issues.

- First, the government needs to ensure that digital platforms are inclusive and accessible to all by eliminating barriers to entry and providing opportunities for underrepresented groups to participate in the digital economy.
- Second, the government needs to address the issue of data privacy and security. With the increasing amount of personal information being shared on digital platforms, it's important that Vietnam has strong protections in place to keep this information safe and secure.
- Third, Vietnam must also address the issue of digital monopolies. As a few large companies dominate the digital platform industry, it's important that Vietnam government and their agencies need to promote competition and prevent the concentration of power in a small number of companies.

To address these issues, we propose several solutions.

- First, the government must create policies and programs that promote digital inclusion and eliminate barriers to entry for underrepresented groups.
- Second, the government must invest in cybersecurity measures to protect personal information and prevent data breaches.
- Third, the government must create regulations to promote competition in the digital platform industry and prevent the concentration of power in a small number of companies.
- Finally, the government must invest in research and development to ensure that our country remains at the forefront of technological progress in the digital platform industry. This means providing funding for universities and companies to conduct research in these areas and creating incentives for businesses to invest in new and innovative technologies. By fostering a digital platform industry that transcends boundaries and addressing key issues such as inclusivity, data privacy and security, and monopolies, we can create a digital economy that is fair, inclusive, and sustainable for all.

II. THE EXPANDING DIGITAL ECONOMY

The world becomes more connected and technology-driven, it is crucial that we focus on strengthening the competitiveness of the service industry as well as advanced technology application in manufacturing and new growth engine for agriculture, livestock, and fisheries. This is vital to remain competitive in the global marketplace, and to drive economic growth and job creation in these sectors. However, there are several key issues that must be addressed to achieve this goal.

- One issue is the lack of skilled workforce. The fact is the digital skills are not equal across industries, to remain competitive, it is important to have a highly trained and skilled workforce that can deliver high-quality services and apply advanced technologies to manufacturing, agriculture, livestock, and fisheries, which is the main export of Vietnam. This means investing in education and training programs that provide citizens with the skills they need to succeed in these sectors.
- Another issue is the lack of access to new technologies and digital tools. These tools are essential for businesses to stay competitive, and it is important that they have access to the latest technologies to improve their services and increase productivity and efficiency in the manufacturing, agriculture, livestock, and fisheries sectors.
- A third issue is the lack of support for small and medium-sized businesses. These businesses are the backbone of the service industry, manufacturing, and these agricultural sectors, and it is important that we provide them with the support they need to thrive.

To address these issues, we propose a number of solutions.

- First, the government must invest in education and training programs that provide citizens with the skills they need to succeed in the service industry, manufacturing, even agriculture, livestock, and fisheries.
- Second, the government must also focus on creating a strong workforce that is equipped to work with new technologies and digital tools. This means investing in retraining programs for workers affected by automation and ensuring that they have the skills they need to succeed in these sectors.
- Third, the government must also create regulations that ensure that small and medium-sized businesses have access to the same resources and opportunities as larger companies in the service industry, manufacturing, agriculture, livestock, and fisheries. This can include providing tax incentives, offering small business loans, and creating programs that provide technical assistance to help these businesses grow.
- Fourth, the government must also work to improve the business environment and create a conducive ecosystem for these sectors to grow. This can include providing infrastructure, reducing red tape, providing access to finance, and creating a stable economic and political environment.
- Finally, the government must also focus on promoting innovation and encouraging businesses to adopt new technologies and digital tools in the service industry, manufacturing, agriculture, livestock, and fisheries. This can include providing funding for research and development and creating incentives for businesses to invest in new technologies.

III. AN INCLUSIVE DIGITAL SOCIETY

1. Build a Safe and Pleasant Digital Environment to All Citizens

As the world becomes more digitalized, it is essential that the government focuses on creating a safer and more pleasant living environment for all citizens and ensure that everyone has access to the benefits of the digital world. This means addressing several key issues that can affect the quality of life and well-being of citizens.

One issue is the lack of access to digital tools and services. This includes access to high-speed internet, digital devices, and digital literacy skills. This can limit citizens' ability to participate fully in the digital economy and access important services like healthcare and education.

Another issue is the risk of cybercrime and data breaches. As more personal information is shared online, it's important to ensure that citizens' personal information is kept safe and secure.

A third issue is the impact of technology on mental health and well-being. As the use of digital technology becomes increasingly prevalent, it's important to ensure that citizens are using it in a responsible and healthy manner.

To address these issues, we propose a number of solutions. First, we must invest in programs and infrastructure that provide access to digital tools and services to all citizens, regardless of their socio-economic status.

Second, the government must invest in cybersecurity measures to protect personal information and prevent data breaches.

Third, the government must create regulations and policies that ensure the responsible use of digital technology and promote healthy digital habits.

Fourth, the government must also invest in research and development to understand the impact of digital technology on mental health and well-being and develop solutions to mitigate negative effects, while ensuring that the benefits of digital technology are shared by all, and that no one is left behind in the digital age.

2. Prepare For the Newly Born Digital Community

Digitalization comes with digital community; it is important that we focus on creating communities that are reborn digitally. This means building digital infrastructure, providing digital literacy and access to digital tools and services, and leveraging digital technology to create new opportunities for citizens. It's the government and the private sectors responsibilities to create a community where citizens can fully participate in the digital economy and access important services like healthcare and education, regardless of their socio-economic status. The term "digitally born" refers to individuals who have grown up in a world that is heavily dependent on digital technology and are therefore more likely to have access to digital tools and services and be comfortable using them. By ensuring that all citizens have access to digital technology and the skills to use it, Vietnam can create a community where everyone is able to participate in the digital economy and access the benefits it has to offer, regardless of whether they are "digitally born" or not.

If not well managed, the gaps between the group who has access to digital tools and services and the group who does not, can cause several issues such as:

- **Economic Disadvantage:** Individuals without access to digital tools and services may struggle to find and apply for jobs, access educational and training opportunities, and participate in the digital economy, leading to economic disadvantage.
- **Social Isolation:** Individuals without access to digital tools and services may struggle to connect with friends and family, access healthcare and other important services, and participate in community activities, leading to social isolation.
- **Digital Divide:** The gap in access to digital tools and services can lead to a digital divide, where individuals with access to digital technology have an advantage over those without access.
- **Educational Disadvantage:** Students without access to digital tools and services may struggle to complete homework assignments, access online resources, and participate in online learning, leading to an educational disadvantage.
- **Health Disadvantage:** Individuals without access to digital tools and services may struggle to access healthcare services, leading to health disadvantage.
- **Limited opportunities:** Those who do not have access to digital tools and services may have limited opportunities to access information, education, health services and other benefits that digital tools and services can provide.
- **Cybercrime and Data breaches:** Individuals without access to digital tools and services may be more vulnerable to cybercrime and data breaches, which can lead to financial losses and harm to personal reputation.
- **Lack of representation:** People who are not able to participate in the digital world may not be able to express their opinions, participate in political processes and be represented in decision-making, leading to a lack of representation in the digital world.

These issues can have a significant impact on individuals' quality of life and well-being and can limit their ability to participate fully in society. Therefore, it is important to address the gap between the group who has access to digital tools and services and the group who does not, to ensure that all citizens have access to the benefits of the digital world and the opportunity to participate fully in society.

There are several ways to ensure that the benefits of the digital world are shared by all citizens, while reducing the gap between those who have access to digital technology and those who do not. Some possible ways are:

- **Providing access to digital tools and services:** Investing in programs and infrastructure that provide access to digital tools and services, such as high-speed internet and digital devices, to all citizens, regardless of their socio-economic status can help to reduce the digital divide and ensure that everyone has access to the benefits of the digital world.
- **Digital Literacy Programs:** Investing in digital literacy programs that teach citizens how to use digital tools and services can help to bridge the digital divide and ensure that everyone is able to participate in the digital economy and access the benefits it has to offer.
- **Bridging the digital divide:** Creating policies and programs that bridge the digital divide, such as providing subsidies for internet access or digital devices, can help to ensure that all citizens have access to digital technology and the skills to use it.
- **Community engagement:** Engaging citizens in the process of creating digitally reborn communities and creating opportunities for citizens to provide input and feedback, can help to ensure that all citizens are able to participate in the digital economy and access the benefits it has to offer.
- **Digital innovation and entrepreneurship:** Creating opportunities for digital innovation and entrepreneurship, such as providing funding for research and development, can help to spur economic growth and job creation in these communities, and ensure that all citizens are able to participate in the digital economy and access the benefits it has to offer.
- **Inclusive regulations:** Creating regulations that promote competition and prevent the concentration of power in a few large technology companies can help to ensure that the benefits of the digital economy are shared by all citizens, regardless of their socio-economic status.
- **Providing targeted support:** Government can provide targeted support to specific groups such as low-income households, rural areas, elderly, and disabled individuals to ensure that they are not left behind in the digital age.
- **Public-private partnership:** Government and private sector can work together to develop digital skills training programs, provide digital literacy classes, and other initiatives that can help to close the digital divide.
- **Measuring and monitoring the gap:** Regularly measuring and monitoring the digital divide can help to identify areas where additional support is needed and track progress in reducing the gap.
- **Collaboration with the civil society:** Government should collaborate with the civil society organizations such as non-profits, community groups, and social enterprises to reach and support marginalized groups, who are less likely to have access to digital tools and services.

IV. INNOVATE THE DIGITAL CULTURE

1. Build A Digital Innovation Culture Led by The Private Sector

Settlement of a digital innovation culture led by the private sector is crucial for driving economic growth and competitiveness in the digital age. A culture of innovation encourages and supports the development of new products and services, the creation of new jobs, and the growth of new industries. However, regulatory challenges and conflicts can hinder innovation and stifle economic growth.

One of the main issues that need to be addressed is the lack of regulatory clarity and consistency. This can create confusion and uncertainty for companies, making it difficult for them to innovate and invest in new technologies. Additionally, conflicts between different levels of government can

create confusion and inconsistencies in regulations, making it difficult for companies to navigate the regulatory landscape.

To address these challenges, we propose several solutions:

- **Develop a clear and consistent regulatory framework:** Government can work to develop a clear and consistent regulatory framework that provides certainty for companies and helps to promote innovation.
- **Encourage regulatory innovation:** Government can encourage regulatory innovation by creating a flexible regulatory environment that allows for experimentation and adaptation as technology evolves.
- **Address conflicts between different levels of government:** Government can work to address conflicts between different levels of government by creating a cohesive and coordinated approach to regulation.
- **Encourage collaboration between government and the private sector:** Government can work with the private sector to share expertise and develop regulations that promote innovation while protecting the public interest.
- **Establish a regulatory review process:** Government can establish a regular review process to evaluate and update regulations to ensure they remain relevant and effective.

By implementing these solutions, government can help to establish a culture of innovation led by the private sector while addressing regulatory challenges and conflicts that can hinder innovation and economic growth. A clear and consistent regulatory framework, together with a culture of innovation, can create a fertile environment for the private sector to thrive, foster economic growth and competitiveness.

Moreover, the government can act as a catalyst to promote digital innovation and research, spurring the growth of an innovation culture. By creating favorable economic conditions such as tax breaks, grants, and other financial support, Vietnamese and FDI companies can be incentivized to invest in new technologies and research, resulting in the development of innovative products and services, the creation of new jobs, and the expansion of emerging industries. This is particularly critical in our modern world, where technology is transforming the nature of work and freeing up people's time and resources to explore new horizons.

2. Prepare the Basic Legislation for Digital Economy & Society

The preparation of basic legislation for digital economy and society is essential for ensuring that the benefits of the digital world are shared by all citizens and that the digital economy operates in a fair, inclusive, and sustainable way. Without proper legislation, it is difficult to address issues such as cybersecurity, data privacy, digital inclusion, and competition in the digital economy.

One of the main issues that needs to be addressed is the need for clear and comprehensive legislation that covers a wide range of digital issues. This includes laws and regulations that protect personal data, prevent cybercrime, and ensure that digital platforms and services are accessible to all citizens.

To address these challenges, we propose several solutions:

- **Develop a comprehensive legal framework:** Governments can work to develop a comprehensive legal framework that covers a wide range of digital issues, including cybersecurity, data privacy, digital inclusion, and competition in the digital economy.

- Create specific laws and regulations: Governments can create specific laws and regulations that address specific digital issues, such as data protection, digital inclusion, and digital rights.
- Promote international cooperation: Governments can promote international cooperation in the development of digital legislation to ensure that regulations are consistent across borders and that global digital issues are addressed effectively.
- Encourage public consultation: Governments can encourage public consultation and engagement in the development of digital legislation to ensure that the needs of all citizens are considered.
- Establish a review process: Governments can establish a regular review process to evaluate and update digital legislation to ensure that it remains relevant and effective.

By implementing these solutions, governments can ensure that the digital economy operates in a fair, inclusive, and sustainable way, and that the benefits of the digital world are shared by all citizens. Clear and comprehensive legislation that covers a wide range of digital issues is crucial for addressing the challenges and issues that arise in the digital economy and society. If the government fails to act on the preparation of basic legislation for digital economy and society, it can lead to several issues such as:

- Lack of privacy and security: Without proper legislation, individuals may be at risk of having their personal data and information compromised, and companies may not have the necessary regulations in place to protect against cybercrime.
- Inadequate protection for consumers: Without proper legislation, consumers may be at risk of being exploited by digital platforms and services and may not have adequate protection against fraud and other forms of deception.
- Limited digital inclusion: Without proper legislation, individuals and communities who are not yet fully connected to the digital world may be left behind and not be able to fully participate in the digital economy.
- Market concentration: Without proper legislation, digital platforms and services may become too dominant, leading to a lack of competition in the market, which can lead to higher prices for consumers and stifle innovation.
- Limited economic growth: Without proper legislation, the digital economy may not be able to reach its full potential, leading to limited economic growth and job creation.
- Lack of representation: Without proper legislation, certain groups may be underrepresented in the digital economy and society, leading to a lack of representation in decision-making.
- Limited access to information, education, and health services: Without proper legislation, certain groups may not have access to the same level of information, education and health services as others, leading to inequalities and disparities.

It is important for the government to act on the preparation of basic legislation for digital economy and society to address these issues and ensure that the digital economy operates in a fair, inclusive, and sustainable way for all citizens.

READINESS FOR THE ENERGY TRANSITION PERIOD

On behalf of the VBF Power and Energy Working Group (PEWG), we would like to congratulate Vietnam on the good outcomes in the electricity in 2022, which is to put into operation power grid projects to accommodate renewable energy sources, and ensure safe, reliable and adequate supply for residential and commercial purposes despite the increasing production demand when the economy starts recovering. We also would like to express our appreciation for the Government's willingness to take into account comments and discussions with the PEWG and other private sector power and energy organizations in the development of the Power Development Plan 2021 – 2030, with a vision towards 2050.

In 2022, Vietnam's GDP expanded by 8.02%¹ from the growth of just 2.58% in 2021, which is the fastest pace annually since 1997. This is indeed an impressive result amid the uncertainties and instabilities of the global situation. However, such highlights the urgent need to accelerate the global energy transition. Vietnam is no exception to this trend. The energy transition here is tied to the rapid growth of the economy, urbanization, and industrialisation. We have seen the strong aspiration of the Government leadership to speed up energy transition while meeting the requirements of economic development and the goal of becoming a high-income country by 2045. Energy transition is more seen as a potential engine for employment and this trend will likely grow, helping to build support for renewables.

In 2021, Vietnam ranked 65th out of 115 countries in terms of readiness for energy transition in the World Economic Forum's Energy Transition Index with a score of 54, which is at the global average. This highlights the opportunities to be taken for energy transition in Vietnam. The roadmap for the country's transition process towards green and sustainable development will not only need to ensure energy security, but also socioeconomic development goals of the master plans across industries and sectors. However, this process requires support from developed countries, through financial and technical support.

Building on the COP26 commitments, the signing of the Just Energy Transition Partnership (JETP) between International Partners Group and Vietnam in December 2022 will support the country's ambitious climate targets and a substantial increase of renewable energies by 2030. This further reiterated that the Governments, multilaterals, the private sector, banks in short, all major institutions with a stake in energy have agreed that its negative environmental impacts far outweigh short-term economic gains, and there are sufficient, more sustainable alternatives to pursue. We have noticed these JETP targets reflected in the recent draft of the Power Development Plan VIII in December 2022 which estimates an investment cost of US\$142 billion (US\$126 billion for power generation/sources and US\$16 billion for power transmission grid) for the period 2021-2030, the vast majority of which must come from the private sector. With the revision of the Electricity Law, this will create a framework for attracting more private investment into supporting the transition. The Environment Working Group has discussed about improvement of access to climate finance across all sectors of the economy in their speech so we would not go into much details on this.

Specifically, for the power sector, Vietnam will need bankable and economically feasible energy projects. However, to maintain grid strength and growth, Vietnam must also secure a baseload sufficient to replace coal. This means the transition toward renewables, hydrogen, wind and solar

¹ Vietnam General Statistics Office (GSO)

with storage will have to get there by way of a flexible gas/LNG and eventually much being replaced by hydrogen as a baseload, scaled behind-the-meter renewables solutions, and substantive energy efficiency programs.

Evidence has shown how policies could encourage investment in renewables with the subsidized Feed-In-Tariffs for solar and wind energy. However, several GWs of these projects that fail to meet the Commercial Operation Date deadlines are awaiting a pricing mechanism that makes sense for both investors and buyers within the current legal framework. The MOIT has recently issued the maximum tariffs for these transitional projects but it still takes time for EVN and investors to agree a specific tariff for each power plant. Once again we would like to highlight that these projects are clean energy generation assets of which some are ready to operate. In the current context, a timely solution is needed more than ever to address this issue while awaiting new tariff policies for renewable energy projects.

The off-grid power projects, especially rooftop solar systems in the form of onsite corporate power purchase agreement (PPA) and self-investment by the private sector continues to grow. The off-grid models have shown that producers and users are able to develop sustainable long-term agreements, and these should be reviewed to allow EVN workout pricing for using the national grid.

In the context of the JETP which provides important finance to operationalize Vietnam's net-zero targets, the early approval of the pilot program for the offsite corporate direct PPA (DPPA) would be much welcomed by the PEWG members. In our view, such a pilot program is an important mechanism to attract investors and private investments, not only in the energy sector but also in other sectors where companies are looking for clarity in the ability to source affordable green energy when making investment decisions. The clock is ticking for a lot of critical commitments in the space of renewable energy that our members have made. We hope to have the Government's support to have the right momentum for the offsite corporate DPPA pilot program finally to be launched and implemented in the first quarter of the new year 2023.

The Power and Energy WG recognizes that offshore wind has a high potential in Vietnam and in the future contributing as a baseload for the national grid. We are glad to become a member of the Offshore Wind Taskforce which serves as a platform for sharing best practices to support the first 4 GW. Recently, many foreign investors are interested in developing large offshore wind farms in Vietnam. However, to develop a large offshore infrastructure project such as offshore wind farms, Vietnam must address the current legal uncertainties. We hope the outcomes of the Taskforce will provide more background information, especially on the use of sea areas under the Law on Sea 2012 and Decree 11/2021. We also look forward to the guidance of the Government so that survey and development activities for offshore wind projects can commence soon, and prepare projects for early construction and power production. If the framework for offshore wind is set properly, Vietnam can attract billions of dollars of investments into projects and supply chain, create thousands of jobs and establish a strong driver for economic growth in the years to come.

We believe that battery energy storage can solve the challenges with renewable integration in Vietnam, assuring grid stability and playing a pivotal role in achieving Vietnam's net-zero carbon emissions target by 2050. Therefore, it is hoped that the Government will soon develop a legal framework, market mechanisms, and related guidelines for the development of clean sustainable energy storage batteries in Vietnam. There is also potential for indigenous iron/saltwater batteries, and competitive-cost environmental-safe rare earths for batteries and energy production which we think Vietnam would benefit from in the long run.

Hydrogen is another important part of the long-term solution. While too expensive for power plant use today, it is cost-effective for industrial and agricultural use, development, research, and international investments should make prices affordable in the distant future. Vietnam should therefore ensure that LNG-to-power and offshore wind projects are built with hydrogen in mind.

This year, the Power and Energy WG will develop the Made in Vietnam Energy Plan 3 which will concentrate on the private sector support for the implementation of Power Development Plan VIII, especially in securing the private sector financing, supporting local and international planning, improving investment, and operations through needs assessment, capacity building training and sharing of best practices towards a sustainable power development plan. Our discussions with the private sector for the needs assessment exercise further confirms that businesses require predictability and sustainability in the policies as well as transparent and consistent implementation of such policies for their investment decision-making. However, limited capacity of the local Government authorities to simplify administrative procedures and enable effective coordination across departments for review and approval of projects is among the factors that could be further improved. The private sector also believe that Vietnam needs to rely on fossil fuels for more than 10 years for energy transition to meet the zero-carbon target by 2050. Such transition will mostly require international financing as local banks and investors are not well-prepared to support new projects in large-scale solar, offshore wind, hydrogen yet. Building on these findings, our capacity building activities will continue, which showcase the private sector's efforts and support for Vietnam in the implementation of the JETP and in its energy transition process to achieve its net-zero targets.

Thank you,

FINANCING DECARBONIZATION

On behalf of the Environment Working Group, we would like to congratulate the Vietnamese government on its commitment to reduce carbon emissions to net zero by 2050. The Vietnam Business Forum's Environment Working Group looks forward to continuing to work with the government to develop the necessary frameworks to attract the estimated \$368 billion needed to decarbonize its rapidly growing economy and transform it into a more climate resilient country. Over the next few years, Vietnam has an opportunity to mobilize global capital to fund its transition. In 2022, the EWG commissioned research on financing Vietnam's efforts to decarbonize. Here we report on the results of that research.

Reducing Carbon Emissions will require enormous levels of private sector finance

Long-term, resilient, and decarbonized economic growth is expensive. It would be cheaper and more effective if Vietnam could mobilize project finance through foreign banks, export credit agencies, pension funds, private equity funds, and public sector investment funds. At the moment, foreign capital is eager to enter Vietnam, but largely absent from existing projects. For example, domestic financial markets have provided nearly all the funding for growth in solar energy in Vietnam over the past few years. The key to getting these projects financed was the ability to leverage existing banking relationships and corporate balance sheets. Some of these balance sheets are now very strained. Balance sheet finance therefore has little ability to meet Vietnam's growing need for transition capital, currently estimated at \$114 billion NPV to 2040.¹ Vietnam should target the resources of the foreign finance sector, whose use of non-recourse debt allows for greater growth as it does not rely on corporate balance sheets. Reducing and removing regulatory risks, and allocating other risks efficiently, will make that financing possible at lower cost.

No clear pathway to market results in project withdrawals

We would like to take Offshore Wind Power (OWP) as an example of how regulatory barriers create risk, raise the cost of capital, and result in lost opportunities for Vietnam.

The development of an OWP project is subject to 6 Laws, 10 Decrees and Decisions, and 7 Guidance Circulars issued by the OOG, MOIT, MONRE, MOD, MPS, MOT, MOC, MPI, and MARD. PCs and a similar range of departments are responsible for regulatory oversight at the provincial level. Despite this, the procedures to license and build an OWP project are incomplete, resulting in lengthy negotiations and case-by-case decisions.²

OWP project developers estimate their startup costs between \$100-150 million. This is high risk balance sheet debt in which a pathway to market, and time to market, are key indicators of feasibility. Vietnam's enormous potential for Offshore Wind Power has drawn developers to the country, but if a pathway to market is unclear, or too distant, they will leave. When they go, they will take with them the promise of domestic supply chain development and skills training, as well as sources of renewable electric power. That is the situation we now face as procedures are not in place to support investment in OWP, and no mechanism is in place to systematically revise them. However, if procedures are made clear and the time to market is reasonable, the investment in startup will be feasible, the terms for construction capital will reflect lower risk, skills and supply chains will be developed, and the cost to consumers for power will be lower.

¹ <https://openknowledge.worldbank.org/handle/10986/37618> The World Bank estimates that Vietnam would need approximately \$254 billion for adaptation and \$114 billion for decarbonization.

² <https://www.sciencedirect.com/science/article/pii/S0308597X22001270>

Increasing power tariffs can incentivize adoption of energy efficient technologies

Low power tariffs for the manufacturing sector are another barrier to investment. The VBF's Power and Energy Working Group, the World Bank, Asian Development Bank, International Finance Corporation and many other development finance institutions have urged for reform in energy pricing, pointing out that the current tariff structure encourages waste, results in the need for additional energy sources, and has not led to increased foreign direct investment. This is well understood by energy planners within MOIT and EVN. We understand that, for government, tariff rates are a policy issue tied to affordability for lower income consumers and part of Vietnam's industrial development policy, particularly for domestic SMEs. However, we still maintain a need to schedule increases in tariffs for the manufacturing sector, both as a means of increasing efficiency and a means of bringing EVN's costs closer to revenues.

A reasonable Carbon Tax can finance a public sector Green Finance Fund

Equally, we believe a modest carbon tax, with revenues recycled into decarbonization, could bring about efficiency gains in conjunction with tariff increases. The World Bank has proposed an initial \$12 USD/ton of CO₂e emissions as the starting level. \$12 USD per ton is the weighted average of current Environmental Protection Taxes on coal, diesel and gasoline. These are taxes that are already being paid, so they would not create a deflationary burden on the economy. The World Bank has proposed that this tax increase to \$90 USD over the next three decades. This would not be a prohibitive tax, like the tax on cigarettes. Rather, a carbon tax, combined with emissions allowances under Vietnam's planned Emissions Trading System, can provide revenues that can be recycled into a national green fund used to accelerate the manufacturing sector's transition to a lower carbon economy. In this way, a carbon tax would serve as a transfer between companies that cannot or will not reduce their emissions to the companies that are willing to decarbonize, in particular, domestic SMEs that are now beneficiaries of lower tariffs.

Carbon Taxes and Offset Credits can Finance Agricultural Decarbonization

Finally, we see possibilities to incentivize lower emissions in agriculture. Agriculture is responsible for about one-third of overall GHG emissions in Vietnam, primarily in the form of methane (CH₃). Rice production is the major source of methane emission from agriculture. Alternate wetting and drying (AWD) is one means of reducing soil methane emissions from rice cultivation. Research carried out in An Giang province showed AWD farmers were able to reduce methane emissions with lower use of fertilizers and seeds without decreasing yields significantly. Several non-governmental organizations have developed systems to implement AWD in Vietnam. As yet, these efforts have had minimal impact on emissions. Farmers need incentives to adopt new, and potentially risky, changes in production methods. We are aware that domestic companies have developed sensors and pumps that can automate wetting and drying for optimal yields. The systems are costly for most farmers, and thus we turn again to revenue recycling through carbon taxes and creation of a public sector green climate fund. Concessional loans provided through the Vietnam Bank for Social Policies might be one means of encouraging adoption of AWD. We also see an opportunity to monetize emissions reductions through sale of offset credits. Offset credits can be used to further reduce initial costs and provide farmers with a small yearly payment to continue AWD in practice. In the short term, an offset program like this would need to be established offshore, but in the longer term, it could be included in Vietnam's emissions reduction commitments.

Conclusion

There are other issues that we have considered but are unable to present in this brief presentation. We look forward to collaboration with MONRE, MOIT and MOF in resolving those issues and creating greater opportunity for private sector investment in Vietnam's decarbonization.

A FRAMEWORK FOR ATTRACTING PRIVATE SECTOR INVESTMENT IN DECARBONIZING VIETNAM'S ECONOMY

EXECUTIVE SUMMARY

For 40 years, climate scientists expected that the CO₂ already in the atmosphere locked in relatively high and predictable levels of global warming. In other words, even if all new CO₂ emissions were halted, temperatures would continue to increase for many decades due to slow responses in the earth's energy systems. More recent research has reduced that lag time to as little as 3 to 5 years, and therefore lower estimates of heating. That principle now underlies the widely used concept of "carbon budget" and is the basis for net-zero approaches to reducing CO₂ emissions.

Vietnam's greenhouse gas emissions, which account for about only 0.8 percent of global emissions, are relatively small but growing. Thirty years ago, Vietnam's total CO₂ emissions were about 22,500 metric tons, or about 300 kg per person. By 2022, total emissions had increased to 321,400 metric tons, or about 3.5 metric tons per person.

Vietnam's power sector accounts for roughly half of these CO₂ emissions. The industrial sector follows with about 30 percent, then transport at 16 percent and construction at 6 percent. Agriculture contributes only 1 percent of carbon emissions but is a major source of methane and nitrogen dioxide, both powerful, short-term contributors to global warming. Agriculture accounts for about one-third of all greenhouse gas emissions.

The World Bank estimates that the impact of increased temperatures *alone* could cost Vietnam a total of 12-14.5% of its GDP, or cumulative costs of \$400-523 billion by 2050. Reducing those costs through adaptation and mitigation would require approximately \$368 billion USD over the next 18 years. This includes approximately \$254 billion to adapt to climate change, including \$219 billion for upgrading private assets and public infrastructure and \$35 billion for social programs, and \$114 billion for mitigation, including \$64 billion to address immediate energy needs, \$17 billion to decarbonize industry, transport, and agriculture, and \$33 billion for supportive social programs to reduce emissions and reach Vietnam's net zero goal.

The question, therefore, is how to mobilize investments in decarbonization that can reduce the longer-term costs associated with climate change and reach Vietnam's net zero goal. Globally, a range of financial tools are emerging. This includes revenue recycling through carbon pricing and carbon markets; green bonds and green finance funds; consortium investments in large scale green infrastructure; green innovation funds; renewable energy service companies, green investment taxonomies, and many more. Unfortunately, the regulations, standards and financial mechanisms to make these investments in Vietnam's decarbonization are inadequate or lacking. Over the next few years, Vietnam has an opportunity to mobilize global capital to fund its transition, but to do so will require rapid development of the financial and regulatory infrastructure. We hope this brief working paper is a helpful summary of those anticipated actions.

INTRODUCTION

The Vietnamese government has committed to a dual challenge of reducing its carbon emissions to net zero by 2050, while achieving high-income economy status by 2045. To put the Country's ambitions in perspective, to reach high-income status by 2045, Vietnam is attempting to do in twenty years what it took Korea over 40 years to do...but without the help of fossil fuels and carbon-intensive technologies. Despite what would appear to be an insurmountable challenge, especially when coupled with the potentially destabilizing impact of climate change, Vietnam can

achieve these goals. However, to do so, the Vietnamese government will need to ensure decarbonization (and climate change preparedness in general) remains at the forefront of the country's policy agenda.

Reaching the goal of net-zero emissions and advanced middle income status will require significant contributions in finance, innovation, and technologies from the private sector. This brief working paper, prepared by members of the Vietnam Business Forum's Environment Working Group ('EWG'), outlines a rationale and strategy to achieve these goals. In brief, the VBF-EWG sees four major challenges:

- 1) Increasing access to climate finance;
- 2) Incentivizing adoption of energy efficient technologies; and,
- 3) Incentivizing decarbonized agriculture practices
- 4) Developing globally integrated carbon markets.

THE CHALLENGE

At last November's UN Climate Change Conference (COP26), Prime Minister Chinh announced an ambitious target of reducing Vietnam's carbon emissions to net zero by 2050. The ambitious nature of this target is heightened by Vietnam's commitment to become an advanced middle-income economy by 2045. Given the amount and the quality of private sector investment looking for opportunities in the decarbonization of Vietnam's economy, these goals can be aligned. However, it will take bold actions by the government to unlock the >\$300b USD in private sector investment required to achieve them.

Resolving this dual challenge of decarbonizing the economy without inhibiting socio-economic growth will require Vietnam to become a more innovative economy that engages the best international practices, while creating and championing domestic companies that are technically capable and internationally competitive. When compared to more developed countries, Vietnam is in an advantageous position in that it does not have high sunk costs in fossil fuel-based technology and infrastructure and therefore can leapfrog developed countries in its adoption of cutting-edge power and energy production.

The importance of aligning these goals is not just about unlocking accelerated economic growth powered by sources of decarbonized energy. It is also about preparing Vietnam to deal with the devastating impact of climate change. A recent journal article by Professor James Hansen of Columbia University and others has concluded that the CO₂ already in the atmosphere will produce 7-10C of heating.¹ If professor Hansen is correct, this level of heating will make large areas of the planet uninhabitable, result in the extinction of plant and animal species, and produce extreme weather and rising seas. These are not predictions of the distant future. The World Bank has predicted that increased temperatures *alone* could cost Vietnam a total of 12-14.5% of its GDP, or cumulative costs of \$400-523bn by 2050.² As one of the world's very vulnerable countries³, Vietnam is currently ill-prepared for this degree of climate change loss and damage. Furthermore, as Vietnam's Covid experience demonstrates, in a globally connected world, events that occur outside Vietnam can have far reaching impacts here. Consider the EU's Carbon Border Adjustment Mechanism. If fully implemented in 2023, the CBAM would tax roughly \$1 billion in exports

¹ <https://arxiv.org/pdf/2212.04474.pdf>

² Country Climate Sector Development Report: Vietnam; World Bank Group (<https://openknowledge.worldbank.org/bitstream/handle/10986/37618/Vietnam%20REVISED.pdf?sequence=18&isAllowed=y>)

³ Vietnam is ranked 127 out of 182 by the Notre Dame Global Adaptation Initiative (ND-GAIN), and 13th highest among 180 countries by the Germanwatch Global Climate Risk Index for 2000–19)

from Vietnam. As Vietnam adjusts its internal climate policies, it must also look outside its borders for both disruptive climate events and policies intended to respond to them.

At the COP 26 summit in 2021, Prime Minister Pham Van Chinh pledged to make the country carbon neutral by 2050. Since that time, his pledge has been integrated into all related ministerial plans. The power sector, however, has been a leading laggard. On December 14, 2022 an International Partners Group comprised of the EU, UK, US, Japan, Germany, France, Italy, Canada, Denmark, and Norway signed a \$15.5 billion Just Energy Transition Partnership agreement with Vietnam, nearly all in the form of debt, that would fund development of Vietnam's substantial renewable energy capacity. Calls have already been made for project funding. But Vietnam's power grid is inadequate, and the regulations, standards, and financial mechanisms needed to translate these sources of funds into viable projects are limited or lacking. Given the three-to-five year timeline for implementation, will Vietnam be able to create the enabling environment needed to absorb this funding and meet its continuing demand for new power sources? The urgency with which Vietnam needs to address its own emissions while also leading regional and international efforts to reduce emissions globally cannot be understated.

Decarbonized, rapid economic growth will require Vietnam to make significant investments in its main carbon emitting sectors.

The World Bank estimates approximately \$254 billion USD, including \$219 billion for upgrading private assets and public infrastructure and \$35 billion for social programs, are required to adapt to climate change over the next 18 years. This figure does not include the roughly \$64 billion required to address Vietnam's immediate energy shortcomings. It also does not include roughly \$17 billion to decarbonize industry, transport, and agriculture and \$33 billion for supportive social programs. Thankfully, the regulatory framework required to decarbonize Vietnam's economy is the same needed to attract the requisite private sector support to prepare the country for climate change.

If Vietnam wishes to attract private sector investment into a lower carbon economy, it will need to prioritize a regulatory framework that facilitates a balance of domestic and international interests, lowers barriers to entry for new firms developing decarbonized solutions, and support fossil fuel-based firms to exit by developing financial tools and mechanisms to fund transition.

While this will be difficult in the short-term, it will lead to a far more resilient and dynamic economy over the long-term and place Vietnam in the strategic center of the clean technology revolution.

Globally, a range of financial tools like revenue recycling through carbon pricing and carbon markets, are emerging. We note that Vietnam already has an Environmental Protection Tax on fuels, including liquid fuels like diesel oil and solid fuels like coal, that can be used for this purpose and has planned for introduction of an emissions trading system in 2025. The Prime Minister has also requested the MOF to research the feasibility of a new carbon tax. The World Bank estimates that a carbon tax of \$12 per tCO₂e is the weighted average of the current EPT rate on coal, diesel, and gasoline. If begun in 2023 at \$12 per ton and ramped up to \$90 per tCO₂e by 2040, a combination of sectoral investments and carbon taxes would reduce emissions by 42.8 percent relative to the BAU scenario by 2030, and 73.6 percent by 2040.⁴

⁴ <https://www.worldbank.org/en/country/vietnam/brief/key-highlights-country-climate-and-development-report-for-vietnam>

VIETNAM AND CARBON

At 0.8% of global GHG emissions, Vietnam's contribution to climate change is still quite small, especially when compared to China and America. However, since the impacts of carbon emissions are cumulative, the marginal increase is extremely important. This is why the rapid increase in emissions from China has become a global concern, and why developing countries like Vietnam can have an oversized impact on climate. For Vietnam, carbon emissions are also quickly becoming a health concern. Vietnam suffers an estimated \$10.8 to \$13.2 billion worth of economic loss due to ambient air pollution each year, or equivalent to 2.5% of gross domestic product. The Global Alliance on Health and Pollution estimates Vietnam had 50,232 deaths due to air pollution in 2017, and this number is growing.⁵ Most affected are children, who are suffering rising rates of pollution related asthma, and those over sixty, who risk heart attacks and strokes when pollution levels are hazardous. Finally, climate change is global and thus extreme events like droughts, floods and storms; forest fires; or loss of commercial fish populations due to changing ocean temperatures, will have a profound effect on Vietnam. The results will be seen in shifts of donor funds to countries and regions in immediate need, rising prices for food, energy, and other resources, and policies to limit carbon emissions imposed outside Vietnam. Consider, for example, the potential impact of carbon taxes on air transport both departing from and arriving to the European Union? This kind of response to the climate crisis is not far in the future. The EU has already proposed the imposition of a carbon border adjustment mechanism that will impact Vietnam's 1 billion Euro exports of iron and steel products. When combined with the growing demand from multinational corporations for low-carbon sources of energy, in part to avoid these border taxes, it is in Vietnam's national interest to create more incentives for the private sector to invest in decarbonizing its economy.

The majority of Vietnam's CO₂ emissions are generated by the power sector. In 2019, the power sector accounted for half of the country's GHG emissions.⁶ The industrial sector (minus power generation) follows with about 30 percent of emissions, then transport at 16 percent and construction at 6 percent. Agriculture contributes only 1 percent of carbon emissions but is a major source of methane and nitrogen dioxide. Thus, when all greenhouse gases are taken into consideration, *agriculture accounts for 33 percent of total emissions*.⁷ While these have a powerful near-term global warming effect and are air pollutants, CO₂ emissions from energy are the fastest growing form of emissions, and the one causing the most long-term damage.

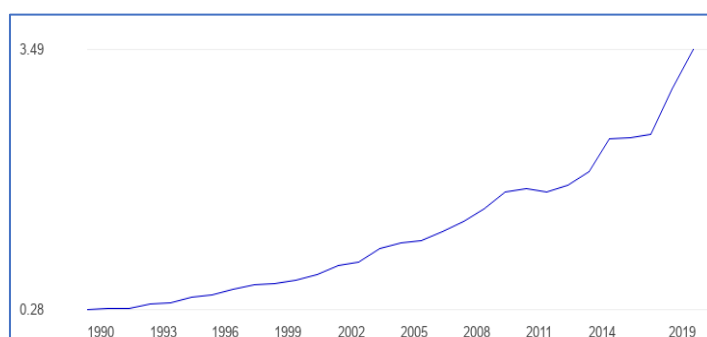


Figure 1. Vietnam Carbon Emissions per Capita
https://www.theglobaleconomy.com/Vietnam/Carbon_dioxide_emissions_per_capita/

Most of this explosion in emissions has stemmed from Vietnam's success in increasing the rate of electricity access from 14% in 1993 to 99% in 2020. This double-digit growth in installed capacity has translated to energy production growth from 5GW in 2000 to 68GW in 2020. The majority of this growth was driven by coal, with the number of coal plants quadrupling over the course of a decade, providing 30% of the country's installed capacity and almost 60% of electricity generation. To compound matters, Vietnam's grid emissions are the highest by global standards,

⁵ <https://asia.nikkei.com/Spotlight/The-Big-Story/Air-pollution-Asia-s-deadliest-public-health-crisis-isn-t-COVID>

⁶ <https://www.climate-transparency.org/wp-content/uploads/2021/11/Vietnam-CP2020.pdf>

⁷ <https://www.jircas.go.jp/en/program/proc/blog/20220216>

making the power sector, which accounts for the 88 million tons of coal consumed in Vietnam, one of the largest emitters of CO₂. Per capita emissions grew from roughly 280 kg per capita in 1990 to 3.5 metric tons per capita in 2019.

To reach its stated goal of achieving high-income status (defined as per capita income of \$12,695) Vietnam will need to exceed its growth rate of the past 30 years. This will translate to an increase in energy demand of six-to-seven percent annually, which will require the supply of electricity to double every 10 years to meet both base load and peak load, while maintaining sufficient reserve margins.

THE NEED FOR A REGULATORY FRAMEWORK

Vietnam has made immense and commendable strides in developing a regulatory structure that has strengthened its economy, while better preparing the country to face of the challenge of climate change. However, the total financing required to upgrade the country's assets to truly prepare for climate change, including financing social assistance, is estimated to reach \$342-\$411 billion (or about 4.5-5.4% of GDP per year) over the 28 years to 2050.⁸

Because of its recent economic performance Vietnam has a unique window of opportunity with which it can attract this capital. This will require the government to make a more attractive destination for climate capital. It will also require it to improve the way that it manages Vietnam's resources, not just to increase conservation, but also to drive innovation into decarbonization.

Thankfully, a framework designed to drive investment into the decarbonization of its economy, would be the same needed to facilitate investment into climate adaptation and mitigation, develop an integrated coastal resilience investment program for the main urban centers, and fund rapid and inclusive adaptation responses to low-income people and protect an additional 400,000 to 1 million citizens from extreme poverty by 2030.

KEY COMPONENTS OF A REGULATORY FRAMEWORK

Given the government's commitment to increasing prosperity while decarbonizing its economy, a policy framework to attract the necessary funding to decarbonize the economy will ultimately need to facilitate a *climate resilient economic transition and an innovative and globally connected carbon market, while ensuring that these measures to address climate change are rapid, equitable and just.*

To achieve this, the government will need to create an investment environment that achieves the following three things:

1. A rapid transition will require large-scale international investments in Vietnam's energy infrastructure,
2. An equitable transition will require that smaller-scale domestic and foreign investors, as well as residential and farming households, have opportunities across all sectors to join in Vietnam's decarbonization, and
3. A just transition will require that policies do not privilege investments in decarbonization at the expense of poor, rural, and vulnerable communities or further damage Vietnam's ecology and biodiversity

Policies will need to focus on four primary areas where regulations, standards and financial mechanisms are limited or lacking. This includes:

⁸ <https://openknowledge.worldbank.org/handle/10986/37618>

1. Access to climate finance across all sectors of the economy, especially power, transport, and manufacturing,
2. Incentives to adopt energy efficient technologies, including carbon pricing and rate increases for power
3. Development of globally integrated carbon markets
4. Incentivizes to decarbonize agriculture production

INCREASED ACCESS TO CLIMATE FINANCE

Long-term, resilient, and decarbonized economic growth will ultimately be underpinned by Vietnam's ability to provide reliable, affordable, clean energy. The only way it can achieve its goal to become an Advanced Middle Income economy in twenty years without further increasing global carbon emissions or impacting the health and productivity of its citizenry, is to decrease its reliance on coal. This will require Vietnam to direct billions of dollars of investment from the private sector to fund a large-scale energy transition. And while a significant percentage of this transition can be financed domestically, the majority of it will need to come in the form of project finance sponsored by foreign banks, export credit agencies, and global investment funds.

To date, offshore investment has proven to be a significant source of financing for large projects, since onshore lenders and equity investors have more limited funds.

The need for international investment is only going to increase as Vietnam transitions away from government investment in power production. However, to make way for the funding of large-scale decarbonized energy projects (and in turn prepare Vietnam for climate change) it will need to greatly increase the attractiveness and cost competitiveness of the country for project finance.

In its current form, Vietnam's regulations governing project finance makes the country a high risk destination for large, internationally funded projects. This is primarily due to issues around sovereign risk, clear debt and equity flows to the project, and lack of a clear contractual framework, including dispute arbitration. Currently, Vietnam does not have a clear set of regulations to govern project financing. Project finance is subject to numerous laws and regulations, including those regulating the licensing and operation of the project, tax regulations, foreign exchange controls, investment protections and incentives, and loan and collateral structures. In addition, the judgment or decision of a foreign court will not be recognized in Vietnam. Therefore, the award or decision of a foreign arbitration cannot be directly enforced but must go through the Vietnam's court's recognition process. Banks and other financial institutions regard this as risk, and thus raise their cost of capital, reducing the country's ability to finance its decarbonization.

The Banking Working Group under the Vietnam Business Forum (VBF-BWG) has been asked by the State Bank of Vietnam (SBV) to be a focal point to collect opinions on banking issues from the VBF's working groups and member Chambers of Commerce. Climate finance is a major concern of VBF members. The VBF-BWG is working with the SBV to organize meetings with other working groups, including the Environment Working Group and the Power and Energy Working Group, to address some of the issues noted above in greater detail. This includes creating and managing a green investment fund, establishing a green taxonomy that can be used to identify green investments, training staff in government and the private sector to assess green projects, especially in key areas like power and transport, and creating channels for efficient delivery of foreign finance into decarbonization.

DISINTERMEDIATION OF FINANCE SECTOR TO INCREASE ACCESS TO CARBON FINANCE

We note here that foreign investors generally base their investments outside Vietnam to avoid regulatory limitations in Vietnam. One of the key issues within the country is “intermediation.” An intermediary is an institution that serves as a middleman among diverse parties in order to facilitate financial transactions. In the context of climate finance, financial intermediaries generally refer to private sector intermediaries, such as banks, private equity, venture capital funds, leasing companies, insurance and pension funds. Increasingly, international financial institutions, like the World Bank, provide funding via companies in the financial sector, rather than directly financing projects themselves.

Vietnam’s ability to compete in the rapidly growing global carbon economy, as well as its ability to create a climate resilient and decarbonized future will be highly dependent upon the quality of innovation it is able to foster. Given that the rate of innovation is highly correlated to access to capital, Vietnam will have to unlock additional sources of green finance. As it stands, Vietnam’s domestic green finance industry, especially early-stage sources of finance, is highly constrained by intermediation. This is particularly true for local companies looking to access international sources of financing. Under Vietnam’s regulatory structure, domestic and foreign investors with access to foreign sources of finance must partner with a local bank. As a result, the cost for foreign funds looking to invest in and support innovation in Vietnam’s lower carbon economy is increased, sometimes to levels that become uneconomic. If Vietnam wants to create a more innovative carbon economy, it will have to increase access for international climate funds to domestic assets and projects without requiring them to partner with a local bank or fund.

By unlocking access for development finance to directly invest in/lend to projects and assets (and thus dropping the cost of climate capital), Vietnam will greatly spur innovation within its carbon economy. Currently, it is nearly impossible for green venture capital funds and social funds that have the lowest cost of capital and market development budgets to invest directly into projects. Rather, they are required to go through a lengthy and complex approval process, and then partner with banks or financial institutions to invest onshore. This not only drives up the cost of investment, it also limits innovation and early-stage investment. As a result, *many large projects are fully funded offshore, which ultimately limits development of a true climate finance sector in Vietnam.*

The world is currently awash in money looking to invest in bankable decarbonization projects and companies. However, Vietnam’s climate sector is handicapped in its ability to access these funds. Vietnam’s climate finance sector will remain limited until the country allows for disintermediation.

INCREASED REGULATORY CLARITY TO STIMULATE CLIMATE FINANCE

Increased regulatory clarity is also required to stimulate climate finance. While Vietnam’s green growth strategy encourages green finance, there are no specific enabling regulations to support its growth and development. We understand that the State Bank of Vietnam is working on a green taxonomy that would define and provide examples of green projects, much like Thailand, ASEAN, and the EU has already done, but this only will resolve one issue, defining what “green” means. There are no regulations from SBV or MOF to support a green finance sector, whether through the recycling of carbon taxes, emissions allowances, environmental protection taxes, or other sources of state revenue; or through the formation of green finance funds, such as first loss funds used to underwrite the initial high risk startup of large projects. Furthermore, it is currently unclear which ministry or agency would oversee such a fund or finance a green project. Do firms looking to

invest in decarbonizing Vietnam's future need to seek approval from SBV, the State Securities Commission, the Ministry of Finance, the Ministry of Natural Resources and Environment?

Lack of clarity in Vietnam is often interpreted by the private sector to mean lack of approval. Creating one set of policies that governs green investment would be considered a major step to unlocking climate finance.

INCENTIVIZE ADOPTION OF ENERGY EFFICIENT TECHNOLOGIES

The Vietnamese government's mandate of inclusive economic growth requires access to affordable energy for its almost 100 million people. At the same time, it desperately needs to transition off one the most relied on sources of energy, coal, to improve the health and productivity of its population. Given current pollution levels in Hanoi and Ho Chi Minh City, facilitating this transition is critical.

However, funding and enacting the necessary regulations to facilitate this transition will not happen overnight, but rather over years. In the meantime, *one immediate and impactful change Vietnam can do to reduce its use of coal consumption, drive innovation, and reduce emissions is revisiting how energy is priced.*

One of the challenges Vietnam faces is its energy rates are heavily subsidized at the low-end (≤ 400 kWh/month) and in the manufacturing sector. While it is difficult to reduce subsidization at the lower end in the current inflationary environment, it should be noted that Vietnam has an opportunity to jump start domestic energy efficiency technology sector by reducing subsidies for its manufacturing sector. This would also take pressure off the middle class, who are, in effect, paying for these subsidies with higher rates.

Targeting increased energy efficiency within the manufacturing sector would also reduce vulnerability to supply chain disruptions by reducing the need for energy imports. Resolution 55 has called for a reduction between 420 and 460 kgOE (kilograms of Oil Equivalent) per \$1,000 USD of GDP by 2030. At the upper limit of this target, this would represent an energy intensity level of 5.35, or 5,350 kWh/\$1,000 USD of GDP. In 2018, Vietnam's energy intensity was 5.94, lower than China (6.69), but much higher than other ASEAN countries such as Malaysia (4.68), Indonesia (3.53), and the Philippines (3.12). This means that *Vietnam is using much more energy per unit of economic output than other countries in the region.* Growth in energy consumption has been 1.5 to 2.0 times the growth in GDP for the last decade and its energy intensity has been high for much longer than other rapidly developing countries.

As pointed out by L. V. Phu (2019)⁹ and P.D. Hien (2019), the main cause of Vietnam's high levels of energy intensity is its low electricity tariff for the manufacturing sector. Dr. Hien has pointed out that this is an outcome of export-oriented industrialization policies that have encouraged the growth of energy intensive industries. But, at the same time, he points out that from 1994 to 2014, the industrial sector in Vietnam consumed ten times more electricity than the service sector but generated *less* GDP value added (Hien 2019). Phu (2019) has also pointed out that the low cost of electricity has encouraged a substitution of energy for capital investments in energy efficiency. That is, *the low cost of energy incentivizes manufacturers to retain less energy efficient equipment or less energy efficient manufacturing processes rather than purchase newer more energy efficient equipment or develop more efficient processes.*

⁹ <https://doi.org/10.1007/s10018-020-00267-6>

At this point, it isn't a question of reducing subsidies. The World Bank, Asian Development Bank, International Finance Corporation and many other development finance institutions have urged for reform in energy pricing, pointing out that subsidizing electricity encourages waste, results in the need for additional energy sources, and has not led to increased foreign direct investment. This is well understood by energy planners within MOIT and EVN.

What then is the alternative to increased tariffs in the manufacturing sector. We have already noted that a carbon tax would provide incentives to reduce energy use as well as funds that can be recycled into grants and loans to promote energy efficiency. The World Bank has proposed an initial \$12 USD/ ton of CO₂e emissions as the starting level. \$12 USD per ton is the weighted average of current Environmental Protection Taxes on coal, diesel and gasoline. The World Bank has proposed that this tax increase to \$90 USD over the next three decades. Combined with tax credits and financing programs for the adoption of on-site energy efficiency and renewable energy investments, a carbon tax would accelerate the manufacturing sector's transition to a lower carbon economy.

A carbon tax would also drive innovation into energy efficiency technology such as battery energy storage, load shifting technology, rooftop solar adoption, direct power purchase agreements, advanced metering technology, etc. This, combined with increased access to green finance, would result in increased innovation in climate technology, and a reduction in coal consumption.

INCENTIVIZE DECARBONIZED AGRICULTURAL PRACTICES

Low methane rice cultivation

The agriculture sector is the second largest emitter of greenhouse gases in Vietnam, with rice being its largest sector and largest emitter of methane. Vietnam is currently the 2nd largest global exporter of rice, an industry that emits between 500 and 800 million tons of CO₂ equivalent per year per year, or ~ 1% of global GHG emissions. While Vietnam's CO₂ emissions are small compared to the US and China, it's CO₂ equivalent emissions from rice cultivation are a significant contributor to climate change.

The primary reason for industrial rice farming being such a large emitter of methane is the periodic flooding of rice paddies, which generates methane emitting bacteria. Barriers to wide-scale adoption of water management techniques mirror that of the adoption of organic farming practices in other parts of the world. Most of the reasons are related to the perceived impact conversion to better water management techniques would have on farmers' operating expenses and revenue. In the eyes of a small holder farmer, the risks to conversion are unknown and high. However, more sustainable and scalable forms of rice cultivation are emerging. *Alternate Wetting and Drying (AWD) rice management practice has been used to reduce water use by up to 30% and methane emissions by 48% without impacting yield.* Emissions can be reduced even further through efficient nitrogen use and application of organic inputs to dry soil. System of Rice Intensification (SRI) methodology has also been shown to reduce methane emissions while boosting yields.

Unfortunately, there is no "silver bullet" when it comes to reducing methane emissions for rice production in Vietnam. Farmers have limited technical ability to drain their fields during the rainy season, so full-scale AWD is probably not feasible. During the dry season, farmers who rely on surface irrigation systems tend to be reluctant to interrupt irrigation when water is available because of doubts that water will be available later when needed to refill the field. In some of these locations, dry seeding may be an effective means of reducing methane emissions, and in others, a single drawdown may still be feasible, but the technical opportunities remain generally unexplored.

However, it's not the lack of a simple solution that's holding back advances in this sector. It's the absence of financial infrastructure needed to access capital that individual farmers and agribusiness need to make a transition to lower emissions on the farms and in their value chains. And while the private sector and financiers can be facilitated through accelerator platforms designed to direct their sourcing and contracting strategies for climate impact, farming in Vietnam is done primarily by small land holders. Reaching millions of small holder farms requires large, dedicated sources of funding and technical assistance. Voluntary offset credits have been proposed as a means of monetizing reductions in emissions from SRI that provides a financial incentive to farmers.

CONCLUSION

Vietnam has never been in a better position to engage the private sector to fund and assist in its transition to a decarbonized future. However, while Vietnam is on the right path in implementing a regulatory structure that will prevent increased carbonization and environmental degradation, it will need to greatly increase the ease with which the private sector can invest in, develop, and access assets, projects and initiatives that are preparing the country for a decarbonized and environmentally resilient country.

Because this is not a problem unique to Vietnam, the government will need to move quickly so it does not get left behind. If Vietnam does not begin enacting policies that make it easier for global climate funds to invest in Vietnam and for the private sector to develop projects to prepare the country for climate change, these funds and efforts will move to countries where they can be more easily deployed. The world's checkbook is limited, and the window of opportunity for Vietnam to access it is closing.

APPENDIX

ANNUAL VIETNAM BUSINESS FORUM
HIGH-LEVEL SESSION
Hanoi, February 21, 2022

**ECONOMIC RECOVERY & SUPPLY CHAIN DEVELOPMENT
IN THE NEW NORMAL CONTEXT**

SUMMARY

OPENING

Mr. Nguyen Chi Dung, Minister of Planning and Investment

The year 2021 has marked an important milestone for Vietnam as it is the first year to implement the resolution of the 13th Party Congress, the 10-year socio-economic development strategy for the period of 2021-2030, and five-year plans for the period of 2021-2025. It is also the first year of the Government's tenure of 2021-2026 during a difficult time of the country.

Around the world, the COVID-19 pandemic continues to develop with uncertainty, hitting the global economy and destabilize the economic growth. In Vietnam, the COVID-19 has broken out in many localities with the new fast-spreading dangerous strains. Some large economic, urban centers and key economic regions have been severely affected, seriously impacting citizens' social activities, production, business, livelihoods and daily lives.

In this context, in order to address difficulties, promote production and business, recover and develop socio-economy, the first priority task is to prevent the pandemic, protect people's health and lives. Besides, the Government and the Prime Minister decided to direct the pandemic responding strategy towards safe, flexible adaptation and effective control of the pandemic. The Government has promptly issued and implemented many appropriate solutions such as: Regulate on maintaining manufacturing in combination with pandemic prevention measures in enterprises; in terms of goods circulation, solve import and export procedures to support workers and employers in maintaining production and business activities, and preventing disruption of supply and labor chains. Additionally, many policies have been formulated on extending the exemption and reduction of some taxes, fees, land rents, social security support, solving difficulties for and supporting people and businesses to maintain and recover their production and business activities; supporting employers and workers, facilitating businesses to minimize damage, overcome challenges, maintain production, contribute to stabilizing the macro-economy, controlling inflation, and ensuring macro economic balances.

As a result, in 2021, despite various difficulties and challenges, compared to previous years, Vietnam still achieved very positive and remarkable results across all sectors. The economy continued to maintain a growth rate of 2.58%, reached and exceeded 7 over 12 key targets. Macroeconomic managed to maintain stability. Macro balances were guaranteed. Inflation was controlled and the large economic structure continued to have positive changes. Industries and sectors are developed stably. State budget revenue exceeded 16.4% of the estimate. Total import and export turnover increased by 22.6%, reaching a peak of USD 668.5 billion. Export of agricultural, forestry and fishery products reached over USD 48.6 billion. The manufacturing and processing sector increased by 6.37% and continued to be the driving force of positive commerce and service

growth and recovery. Monetary policy tools are operated proactively, flexibly, synchronously, ensuring the liquidity for the economy. The stock market develops rapidly, with an increase of over 46% in capitalization scale compared to 2020, becoming an important capital mobilization channel of the economy. The business environment continues to be improved. In 2021, there will be nearly 160,000 new and re-operating businesses. Total realized investment capital of the whole society is estimated at over VND 2.89 million billion, increasing by 3.2% compared to 2020. Although this is a lower increase compared to many years recently, it is a quite positive result given the complicated developments of COVID-19 and its negative impacts on Vietnam and the world. Foreign direct investment attraction was restored with the total registered capital of over USD 31 billion, up 9.2% compared to 2020. This shows that foreign investors continue to put their confidence in the Government's COVID-19 prevention and control results as well as the business investment environment in Vietnam.

In terms of innovation, e-commerce, digital industry, cultural industry, new business models are increasingly invested and extensively developed. It is a significant contribution of local and foreign businesses and investors that jointly make this encouraging result. This is an important premise for Vietnam to be firmly determined in 2022 - the year of special significance that creates a foundation for the 5-year goals and plans for the period of 2021 - 2025, in the context that the domestic economic situation is projected to have challenges overriding advantages.

Also in the first month of 2022, with a drastic and ceaseless working spirit, on January 30 (the 28th of the Lunar New Year), the Government promptly issued Resolution No. 11 on socio-economic recovery and development program and implemented the Resolution 43 of the National Assembly on monetary and fiscal policies to support this program. This resolution is considered an important document in the regulation to concretize the National Assembly's Resolution 43 which is focused for two years, 2022 and 2023. Therefore, with the theme "Economic recovery and supply chain development in the new normal", the conference was an opportunity for the business community to contribute ideas and propose solutions to implement the Government's Resolution No. 11 on the socio-economic recovery and development program; determine the functions and tasks of state regulatory agencies and the business community in improving the business investment environment, promoting the development of the private sector, and making active contributions to the sustainable development in Vietnam, demonstrating the companionship of the Government with the business community to overcome difficulties, stabilize and restore business development.

Ms. Amy N. Luinstra, Acting IFC Country Manager for Vietnam

Despite the pandemic, Vietnam attracted a record amount of FDI in 2021, exceeding \$31 billion. Exports witnessed double digit growth with a trade surplus of more than \$4 billion. Moreover, the domestic environment is characterized by managed inflation, managed credit growth and foreign exchange rates as well as record reserves. These achievements are impressive by any country at any time. But even more so in the uncertain global contexts we currently face. It truly demonstrates the resilience of Vietnam.

Nonetheless, Vietnam has entered 2022 facing unprecedented challenges exacerbated by the pandemic low productivity growth, rapid technological and supply chain disruptions, climate change and increasing non performing loans may threaten the country's growth model and require attention.

A strategic shift toward a high value innovative, inclusive and greener economy is critical. It will help Vietnam build back better.

We are here today to discuss how to scale up FDI and domestic linkages to strengthen the supply chain and help Vietnamese companies move up the global value chain. There are at least three pillars to the strategic shifts that is needed.

- First is innovation. Innovation led growth model may seem a significant challenge, but the private sector is already responding to it as it adapts to the new normal. To accelerate innovation Vietnam must embrace cross sector digitalization and develop workforce skills, technical, digital and managerial for the currently low skilled and for men and women alike.
- The second pillar then is inclusion. Evidence globally is clear that closing gender gaps increases productivity by equalizing men's and women's participation in the economy. Vietnam could yield an estimated \$40 billion by 2025. This estimate was pre COVID-19. And we know that gender gaps both in labor force participation and in wages have been exacerbated by the pandemic making the case for closing these gaps. Even stronger and more urgent.
- Finally, the third pillar to the strategic shift centers on Vietnam's ability to realize impactful green growth. The Prime Minister has repeatedly expressed his commitment to a green recovery and a green economy. Vietnam must accelerate its decarbonisation agenda to meet its National Determined Contributions (NDC) target and the commitment to be carbon neutral by 2050 made at COP 26 but also to improve market access for goods made in Vietnam. Impactful green growth creates opportunities for cooperation between the domestic private sector and FDI companies to draw in expertise, advanced technologies, and financing to green Vietnam's economy, of course financial scarring from the pandemic is imperative is apparent. In response to obstacles to accessing the financial market including competitive international financing resources should be removed and non-performing loans (NPL) resolution system must be enhanced through development of the functional debt market and removal of constraints to investors entering the NPL market. This will help reboot businesses more quickly.

We strongly believe that the new government leadership - Vietnam will continue to demonstrate remarkable resilience and return to its high growth track, but greener, more innovative and more inclusive. And, we will realize Vietnam has ambitions become a high-income country and regional leader. IFC with the World Bank colleagues is proud to work with the government and VBF in supporting Vietnam to realize these ambitions.

Mr. Pham Tan Cong, Co-Chairman, Vietnam Business Forum

Just 5 months ago, our businesses were extremely worried about the business situation under impact of the Covid-19 pandemic, causing a series of factories having to close down, and breaking supply chains. The Prime Minister has continuously had working meetings with the business community, conducted field surveys, ad hoc inspections to the pandemic center, operated special working groups to remove obstacles for the local and foreign enterprises in Vietnam in the key months of August, September, and October. In particular, on September 26, 2021, Prime Minister Pham Minh Chinh chaired an online

VCCI-held conference with the business community nationwide on solutions to continue supporting businesses during the COVID-19 pandemic. On October 11, 2021, the Government issued Resolution No. 128 on "Safe, flexible adaptation and effective control of the Covid 19 pandemic", switching from the Zero Covid strategy to long-term coexistence with Covid-19. Resolution 128 and the Government's drastic, timely and right solutions have helped businesses get rid of difficulties and obstructions during the Covid-19 pandemic. Along with that, the Government implemented early vaccination for foreign experts and their families in Vietnam, and successfully deployed the widespread vaccination for the whole country, making Vietnam become one of the leading country the world in terms of vaccine coverage. This has gained confidence and trust of the international and domestic business community for investing and doing business in Vietnam.

The effective and timely direction and administration of the Government, together with the initiative attitude of the business community have promptly changed the status of the economy. As a result, the GDP growth in 2021 was estimated at 2.58%, the total import and export turnover reached a record of over USD 668.5 billion, with stable the money and credit market, and exchange rate. Being one of the countries with the highest COVID-19 vaccine coverage in the world sets a basis for Vietnam's economy to reopen and cooperate with the world in the new normal.

Taking advantage of this occasion, on behalf of the Vietnamese business community, I would like to express our gratitude to the Party, the National Assembly, the Government, especially the Prime Minister for timely and drastic decisions and directions for the strong economic recovery. I also thank the business community in Vietnam for their efforts and resilience to overcome the difficulties due to the pandemic, for their contribution to the country's successful response to the pandemic and maintaining production and business activities. Although some encouraging results have been achieved, the pandemic situation is still complicated, with the new strain Omicron entering Vietnam. In recent weeks, the number of Covid-19 cases across the country has increased sharply. Prime Minister has directed: "We absolutely must not be negligent, subjective, or let our guard down."

Vietnam's aspiration is to become a developed country by 2045. In 2022, the country's target is full of challenges which is a growth rate of 6% - 6.5% per year in GDP. On January 30, 2022 in Resolution No. 11/NQ-CP, the Government issued the Socio-economic Recovery and Development Program and implemented Resolution No. 43/2022/QH15 of the National Assembly on monetary and fiscal policies to support this program. A series of important policy movements have taken into practice, such as reducing VAT for most items from 10% to 8%, reopening international flights from February 15, 2022.

The theme of this year's forum is "Recovering and Developing Supply Chains in the New Normal", while the international and domestic supply chains are facing the risk of disruption due to the Covid-19 pandemic and other unpredictable fluctuations of trade conflicts, natural disasters, etc. The restoration of the supply chain is a fundamental factor for the recovery of business operations, thereby determining the success of Vietnam's economic recovery program. From another perspective, this is also a rare opportunity for businesses in Vietnam to improve their foothold and role in domestic and international supply chains.

Also at this forum, the delegates will discuss solutions to solve medium and long-term issues, including: build capacity for domestic production and supporting industries; develop clusters of industry linkages and value chains; strengthen linkages between FDI and domestic enterprises; improve the quality of infrastructure; develop sustainable economy on the basis of digital technology, digital economy and digital government; and implement Vietnam's commitment of net-

zero emissions by 2050 at the recent COP 26. Today's forum welcomes OECD experts to discuss a very important topic, which is the role and responsibility of businesses in developing a stable and sustainable global value chain. We believe that today's constructive, active discussions of the business community and experts will provide useful input to support the Government to successfully implement its socio-economic recovery and development program in the near future.

With that desire and goal, on behalf of the Vietnam Business Forum Consortium, I would like to open the Vietnam Business Forum in 2021 with the theme "*Supply chain recovery and development in the normal*".

Mr. Tetsu Funayama, Co-Chairman, Vietnam Business Forum

Brief Report of the Technical Session on February 18, 2022, chaired by Deputy Minister of Planning and Investment Nguyen Thi Bich Ngoc and attended by relevant ministries and 11 working groups of the Vietnam Business Forum.

This is an intensive session chaired by Deputy Minister of Planning and Investment Nguyen Thi Bich Ngoc with the participation of representatives from relevant ministries and sectors. 11 Working Groups, namely Agriculture, Infrastructure, Power & Energy, Mining, Digital Economy, Investment & Trade, Tax & Customs, Human Resources, Education & Training, Tourism, and Environment have released a report, creating a basis for the Government, ministries and sectors of Vietnam to actively consider amending a number of policies, improving the enforcement of laws and regulations, and recognizing the need for deeper exchanges in order to attract more foreign investors to Vietnam. Representatives of relevant ministries and agencies also gave their own feedback on the issues mentioned by the Working Groups.

Talking to the business community in Tokyo last November, the Prime Minister Pham Minh Chinh affirmed that “in the context of economic development during the COVID-19, towards 2026, the country will develop with three strategic breakthroughs: 1) institutional reform; 2) Human resource development; 3) Construction a synchronous and modern hard and soft infrastructure, transport infrastructure, and climate change responding infrastructure. Personally, I believe that all the areas presented by 11 working groups last Friday, as well as the long-term goals to be achieved, will certainly fit into these three "breakthroughs" of the Government. Therefore, I really hope my summaries for today will gain a positive interest from all of you.

In the new phase of COVID-19, holding the Technical session is a big step towards restoring the normal operating mechanism of VBF, and preparing for the challenges and opportunities ahead to restore the economy and supply chain in the “new normal”.

Through the opening remarks of Deputy Minister Nguyen Thi Bich Ngoc, we understood that in response to the COVID-19 situation, the Government has issued Resolution No. 11 on the socio-economic recovery and development, and the Government is taking action to "effectively implement this program". With that orientation, both sides focus on the common goals, which are to mobilize foreign investment capital to maintain Vietnam's successes in recent years and to leverage new opportunities as the global trading system finds new ways to accelerate international supply chain recovery.

Here are some examples: The Power and Energy Working Group highlights the importance of promoting new offshore wind power projects as a part of Vietnam's COP-26 overall program to

achieve net-zero emissions by 2050. The Agriculture Working Group proposes to develop “smart” agriculture in Vietnam in the long term through the use of remote monitoring systems for better crop management, irrigation and waste management, and to implement policies to mitigate impacts and adapt to climate change, salinity intrusion, and other necessary measures to increase competitiveness in international markets, improve food value and quality of life in a sustainable way.

After discussions between the two parties, Deputy Minister Nguyen Thi Bich Ngoc concluded three main groups of issues in the Technical Session that need to be evaluated and discussed further, which include: .

- (1) First, there are still some shortcomings in the implementation of legal policies, which are implemented inflexibly and inconsistently in some places at both the Central and State levels, making it difficult for foreign businesses.
- (2) Second, some laws and regulations are still overlapping and contradictory, especially for some new contents such as the digital economy and environment, which need a more flexible legal framework to enable foreign businesses to thrive
- (3) Third, some new proposed initiatives and solutions in implementing administrative tasks and procedures should be considered soon in the context that domestic and foreign enterprises are facing many challenges due to COVID-19

For the first group of issues, the Trade and Investment Working Group noted a major improvement in the online issuance of Business Registration Certificates and Investment Registration Certificates, but also raised the issue of “sublicenses” that impede doing business with “economic needs test” in the retail sector, “commercial licenses” and other technical and environmental sub-licenses, etc. Each license has its own reason, but we believe that each has a more efficient alternative where enterprises do not have to wait for months to join the global supply chain.

In the tourism sector, in addition to the proposed financial support for hotels and food service establishments that have been severely impacted, the modernization of qualification requirements to enable foreign human resource mobilization to restart the industry is just as important as attracting more businesses to join this industry. This issue requires local support for work permits and other requirements.

For the second group of issues, the Law on Environment and the large number of Decrees and Circulars accompanying it need great effort to implement. This requires the central level to have guidelines to direct localities to do right along with transparency and good information exchange with businesses.

In the area of customs, the promising National Single Window (NSW) offers an excellent opportunity for the Government to ensure tight regulation between central and local governments and between Ministries as it provides all relevant information at one stop, ensuring all parties have access to the same information and procedures, reducing regulatory conflicts between multiple ministries. However, for this mechanism to be really effective, ministries need to be consistent in regularly updating changes in regulations. A new Decree requires relevant Ministries to regularly update regulations that is likely to enhance the effectiveness of the National Single Window mechanism for its intended purpose.

The third group of issues is related not only to the recovery from the COVID-19 pandemic, but also to the overall recovery of the economy. An important example is that the legal regulation and draft measures on e-commerce, Internet use, data localization etc. There are still significant gaps from approach regarding regulation and tax.

Another recommendation from the Tourism Working Group is that when implementing tax delay and reductions during the past two years, do not penalize businesses that do not intend to commit violation. For example, there is a difference in the rate of value-added for products on an invoice (such as 10% for wine and 8% for food).

SESSION 1 – HOW BUSINESS COMMUNITY CONTRIBUTE TO THE RECOVERY OF THE ECONOMY

Ms. Tran Thi Lan Anh, Secretary General, Vietnam Chamber of Commerce and Industry

Vietnam's business community strongly supports and agrees on the Government's policy governance focuses in 2022. In order to concretize the goals and effectively implement the tasks and solutions set by the Government, on behalf of the domestic business community, the Vietnam Chamber of Commerce and Industry (VCCI) has a number of recommendations as follows:

- (1) *Facilitate the access to policies and regulations to support businesses:* State agencies need to improve the effectiveness of policy and regulation dissemination so that businesses (especially micro and small enterprises), cooperatives and business households are able to access these information at ease.
- (2) *Facilitate enterprises to access to finance to recover production and business:* It is necessary to quickly deploy the 2% credit interest rate for commercial debts in the recovery support program under Resolution 11 of the Government.
- (3) *Simplify immigration and travel procedures for workers and experts:* For foreign experts: It is recommended that ministries and agencies review the entry procedures for foreign experts in the following directions of: applying online procedure settlement, shortening the processing time, etc. Policies for foreign experts need to be synchronously implemented among localities across the country.
- (4) *Improve the effectiveness of training support programs for workers who have been laid off or lost their jobs due to the impact of the Covid-19 pandemic.* Implement policies to support vocational training and job change for workers; effectively implement solutions to complete and develop the labor market; improve the quality of consulting, job matching and job exchange activities of employment service centers. Timely settle labor disputes in order to minimize the number of strikes of laborers;
- (5) *Promote IT applications in administrative procedures, towards fully online public service delivery.* Further develop and upgrade the national single-window portal, the national public service portal, etc. It is also necessary to accelerate the delivery of level 4 public services across most

administrative procedures. Aim towards fully online delivery of administrative procedures for businesses and citizens.

(6) *Improve the enforcement efficiency of the government agencies*: Solutions should also be in place to check the implementation process, focusing on improving the enforcement efficiency of ministries, agencies and local authorities. Emphasize the personal accountability of the leaders. Promptly encourage and reward those who dare to think, dare to do, dare to take responsibility; proactively innovate and be flexible in implementing pandemic prevention and control measures. Cooperate to remove bottlenecks and obstacles to production and business of enterprises, cooperatives, and business households.

(7) *Better leverage FTA tariff incentives and put into practice policies related to rules of origin*. Vietnam currently enters 15 FTAs in force, of which there are many advantaged markets as Vietnam's main competitors do not enter any FTAs yet. It is recommended to have a specific action plan to better leverage FTA tariff incentives on export and import goods while addressing policy issues related to rules of origin in FTAs.

(8) *Identify digital economy development as the growth engine of the economy*, create a mechanism to promote e-commerce; enable innovation activities; support businesses in digital transformation, promote training programs on application of IT, digital technology, digital marketing, etc.

(9) *Promote the development of the domestic market and intra-industry markets* by further boosting the campaigns “Vietnamese people prioritize made-in-Vietnam goods” and “Made-in-Vietnam goods to win Vietnamese consumers” while strengthening industry engagement from business associations and category associations in coordinating cross-distribution among businesses, thereby diversifying input material sources and output markets, alleviating dependence on international markets.

(10) *Continue to promote the improvement of the business environment and national competitiveness, with a focus on reforming administrative procedures, market entry conditions, and cutting costs for businesses*. Focus on reforming some cumbersome administrative procedures, based on businesses’ feedback, namely administrative procedures related to land, tax, social insurance, construction, market management, transport, fire prevention, environment, treasury and labor, etc.

Mr. Funayama Tetsu, Representative of Japanese Chamber of Commerce and Industry in Vietnam

We have seen significant improvement under the drastic leadership of the Prime Minister. After the past five months, we would like to propose the following three points to further contribute to the theme of “*Economic Recovery and Supply Chain Development in the New Normal*” in Vietnam in the post-COVID period.

First of all, please take into account the operation of a flexible system such as foreign currency lending by financial institutions in Vietnam to enable domestic companies and foreign affiliates to use high-quality medium and long-term capital abroad. Furthermore, we strongly recommend the implementation of accounting activities for banks to improve the finance and cash flow of private companies, promote digital transformation in tax and customs activities in big cities and in each locality.

Second, it is the development of energy infrastructure that supports high economic growth in Vietnam. VBF and JCCI proposed to the Minister of Industry and Trade the draft overall diagram of the national power development plan VIII (PDP8), in which we wish to cooperate through promoting foreign direct investment in order to stabilize power and convert actual energy. We are looking forward to receiving an official announcement about PDP8.

Third, in order to strengthen the supply chain, it is necessary to actively improve infrastructure and transportation; including: electricity, roads, and ports; from a general to long-term perspective. Regarding this development, we expect that both the public and private sectors will share risks under the investment mechanism of PPP. Financing should be established timely and investments should be made.

JCCI is compliant with the law on PPP, which took effect in January 2021, and is engaging more deeply in PPP investment. However, it is necessary to clarify the issue of the Government Guarantees and Undertakings and the details of the power purchase agreement (for power projects) to ensure the ability of the PPP banks and related ordinances for a smooth financial structure from export credit agencies and commercial banks. We sincerely request the Prime Minister to support the realization of an investment environment facilitating businesses to develop.

In addition, we urge the Prime Minister to pay attention to the importance of digital transformation and appropriate personal data protection. Digital transformation is the key to accelerating Vietnam's industrialization and modernization. We are pleased to work with Vietnam to develop a sound policy framework under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). In this regard, we kindly ask the Prime Minister to support and consider the proposals of JCCI and other foreign investors for the draft decree on personal data protection.

Many Japanese companies have had to suspend or review their production due to the COVID-19. The importance of Vietnam is emphasized again in 2022, which will be an important period for Vietnam to become a developed and high-income country by 2045. Under the strong leadership of the Prime Minister, we are looking forward to the continuation of the "Co-existence with COVID-19" policy and an important turning point in the post-COVID-19 era.

Mr. Nitin Kapoor, Representative of the British Chamber of Commerce Vietnam

Through these unprecedented times, Vietnam's economy has been recognized as a leading global example for the fight against the pandemic. BritCham would like to mark this occasion of the first-year anniversary of a Free Trade Agreement, which has already led to an over 16% increase in the trade between our two countries, even with the world suffering from the pandemic. The Chamber also is very happy to repeat our commitment made on your recent very successful visit to the UK and Oct 26 of our continued support to developing trade and political relationships between our two countries.

As Vietnam is emerging from the recent challenges of COVID, we find the outlook within the British business community in Vietnam confident and optimistic. BritCham would like to congratulate the Government on the country's success. The consensus is that with the right healthcare, monetary policies and support from the central government, companies and the wider economic can quickly return to pre COVID levels of growth and development. A key element of this recovery will be the reopening of borders to allow safe resumption of visitors both business and tourist, limiting and removal of quarantine requirements and common policy regulations throughout the country. These will not only support

international but also local operators within the tourism and business sector. We are very encouraged to see government's decisive action on both of the above points.

As the global economy rebounds inflation will be a key area to be addressed. BritCham believes emphasis on this aspect of national economic policy will require constant attention to ensure that Vietnam avoids another period of asset bubbles and high inflation as experienced in 2010 and 2012. Therefore, helping stabilize the economy desolating continued growth. BritCham also believes liquidity and larger lending cap from the State Bank of Vietnam will be needed for economic growth and a key factor for 2022 and into the medium term. It is found that we will see a situation where companies will start a capex cycle into their businesses. Several British banking institutions like Standard Chartered, HSBC..., are already active in the FDI market and the ability for foreign banks to be able to effectively lend to multinationals operating in Vietnam is essential to Vietnam leveraging maximum potential of all the Free Trade Agreements that have been and are being negotiated.

The potential rate of growth will only be truly realized if Vietnam is not held back by limited liquidity and sometimes costs were in flexible lending amounts in terms of sustainability and government's recent commitment to reach a carbon neutrality are very welcome. BritCham believes this is the beginning of the journey and is very keen to help with the government on the policies and regulations that were put in place to help achieve this. With the necessary investment requirement in this area, we believe these should also be considered after the current loan growth along the private sector and investors to reach this bold and commendable commitment. The sustainable for higher economic ambitions of Vietnam and its people also highlights the importance of skills and language development. The pandemic has shown that there is a great demand for international levels of education at all age groups to ensure that the talent of Vietnam can contribute and achieve the goals. British businesses as well as the government are keen to expand the links within this sector to achieve Vietnamese ambition.

Given the pandemic today, innovative healthcare investment is more critical than ever before, not just from a healthcare perspective, but also from a social economic perspective, as healthcare impacts all. The industry shares government aspiration to develop Vietnam into a destination of choice for high added value investment in pharma sector. Industry has an appetite to invest in R&D, tech transfer, digital health care, infrastructure and in line with the government's strategic roadmap. We are very pleased to see the recent National Assembly Resolution No.12 to avoid the supply risks of over 12,000 medicines, which is essentially quite critically needed in this critical time. Prime Minister's decision 1661 is very timely and helpful. Specifically, removal of marketing authorization renewal procedures to ensure supply continuity and significantly reduced admin burden for both MOH as well as for the industry.

To conclude, the outlook and the contribution of British businesses and the continued regeneration and the growth of Vietnam's economic is very positive across all sectors. The key to maximizing this success is robust and consistent policymaking, allowing businesses to grow and develop with confidence. It is noted that we must also expect and accept that the recovery will not necessarily be totally smooth, making policy and regulations even more important. Please be assured we are happy and willing to support the next steps from the new normal back to normal.

Mr. Alain Cany, Chairman of the European Chamber of Commerce in Vietnam

The government's ambitious and accelerated vaccine roll out, combined with the tireless and heroic work of our frontline healthcare professionals, have enabled a gradual re-opening of the country. Business leaders have signaled a vote of confidence in Vietnam's "new normal" trade and investment environment, with EuroCham's Business Climate Index (BCI), our regular barometer of European Business Leaders, increasing by 42 points to 61 in January 2022.

In this context, 2021 also marked the one-year anniversary of the EVFTA implementation. This new-generation FTA will eventually phase out almost 99 percent of tariff lines. Even during an unpredictable global pandemic, the EVFTA has delivered on its promises. 2021 saw a 14.8 percent increase in trade between the EU and Vietnam, reaching about US\$64 billion.

Now that COVID-19 has been brought back under control, with the EVFTA in force, and with the EVIPA soon to follow, Vietnam has the chance to attract a new wave of FDI from European investors looking for a prosperous, safe, and competitive investment destination. Therefore, we applaud the government's efforts in issuing, revising, and simplifying several regulations to align with EVFTA provisions.

In this important business forum, we would like to emphasize the following five main challenges that need to be addressed for the purpose of *"Restoring & Developing Supply Chains in the New Normal"*.

1. Power and Energy for Vietnam's future after COP 26

We wish to express our admiration for the leadership shown by the Vietnamese government at COP26, with commitments to be carbon-neutral by 2050 and to eliminate coal power usage. I was lucky to be in Glasgow as part of the Vietnamese delegation. I truly felt proud to be Vietnamese on that stage. These comments were praised last week by both COP26 President Alok Sharma as well as by the First Vice President of the European Commission Frans Timmermans, as expressed during his discussion with Prime Minister Pham Minh Chinh. Despite this, the PDP VIII calls for high levels of fossil fuel imports alongside a modest amount of offshore wind power capacity. This relative lack of ambition could result in unnecessarily high-power production costs. Therefore, we strongly recommend that the government:

- Implements a halt to new coal-power plant approvals in the Draft PDP VIII.
- Allows power consumers access to clean energy by implementing DPPAs in pilot schemes and by reducing front-end regulatory barriers to behind-the-meter clean energy production. Offshore wind is also highly recommended.

In line with previous years, we would also like to emphasize the Circular Economic Model, which has already been applied in the EU for several years, as a new reference point for future production and consumption. We are therefore delighted that the new Decree 08/2022/ND-CP implementing the Law on Environmental Protection issued on the 8th of January mentions a Circular Economy.

To continue to work towards and meet these goals set by the Vietnamese government, the cooperation of Vietnamese, European and other international business partners is a must. To this end, EuroCham will host a Green Economy Forum and Exhibition (GEFE) at the end of 2022. This event will act as a

channel for dialogue both within the business community as well as between businesses and the government, for us to think together to achieve clean, smart, and sustainable solutions.

2. Healthcare

We sincerely appreciate the ongoing support of the government for facilitating the operations of pharmaceutical companies and ensuring a steady supply of medicines to Vietnam. On top of that, EuroCham and the European business community highly values the issuance of Resolution No. 12/2021/UBTVQH15 on 30 December 2021, which enables the continued use of Marketing Authorizations scheduled to expire before the end of 2022.

Looking at sustainable solutions, we appreciate the recent introduction of Decision 1661/QĐ-TTg, which abolishes the MA renewal procedure. We look forward to the revision of relevant regulations, including the Pharma Law, with the aim of implementing the removal of the MA renewal procedure entirely in 2022.

Finally, we applaud the Ministry of Health's ongoing efforts to revise Circular 32/2018/TT-BYT on drug registration, including the revision to the Certificate of Pharmaceutical Product (CPP) requirements as reflected in the November 24th draft.

3. Digital

Modern governments work on the front lines of service delivery with no room for administrative waste and thus need rapid access to technologies that simplify processes, reduce costs, and enable innovation. Cloud computing can play a role in creating better citizen services and facilitating inter-agency collaboration. We recommend public-private cooperation to build cloud computing for government agencies, to adopt smart cloud-first policies, and to reduce costs by adopting internationally recognized cloud accreditation, compliance, and security mechanisms. In addition, we encourage Vietnam to foster efficient digital processes to exchange goods and services internationally. To this end, Vietnam should facilitate the growth of European and global digital businesses and their integration with Vietnam's digital economy. This can be achieved through legislation, regulations, and industry standards that allow for the free-flow and exchange of data.

These regulations should be compliant with international digital business practices, including the removal of data localization requirements. We applaud the government for consulting with the international business community on the Personal Data Protection Decree and we welcome further consultation opportunities to ensure alignment with the GDPR and other international privacy laws.

4. Entry Regulations for Foreign Expats

We were delighted with the decision to reduce the mandatory quarantine period to 3 days as well as with the removal of approval procedures for foreigners with residence cards, visas, and valid visa exemption certificates. This is appreciated by Vietnam's foreign business community.

A quick return to pre-pandemic visa regulations is essential to bringing FDI to Vietnam and for guaranteeing that the thousands of international enterprises already in the country can continue to contribute to Vietnam's economic growth in the years to come.

5. Tourism

We share the view of the government in their tourism development strategy: when tourism activities resume, they must resume safely. EuroCham's members were delighted to learn that the Prime Minister issued Directive 01/CT-TTg on the 8th of February, directing the Ministry of Culture, Sports and Tourism to announce a roadmap for re-opening tourism.

I would like to conclude on a note of optimism. Vietnam is in a stronger position than most to prosper in this post-pandemic period. The fundamentals that have underpinned its three decades of almost uninterrupted economic growth remain strong. I strongly believe that the VBF has always been and will continue to be a perfect channel to share the views of the foreign business community with the government, guaranteeing Vietnam's continued progress in partnership with European businesses.

Mr. John Rockhold, Chairman of the American Chamber of Commerce Vietnam

American Chamber of Commerce views on restoring and developing supply chain in the new normal. Key to promoting a sound recovery and living safely with the virus is the reopening of borders and AmCham applies the recent decisions to facilitate cross border travels on resume international tourism. We note however that permission to enter Vietnam remains a challenge for short term businesses visitors. We hope to see loosening procedures and bound for investors and technical support.

The most important factor for a favorable investment climate and maintenance and growth of manufacturing supply chains is a fair, transparent, predictable, and streamlined regulatory environment that values innovation - not only to attract new investment, but also to maintain and grow the investment already here. We encourage financial sector reforms that will lead to "Emerging Market" vs "Frontier Market" status for Vietnam. We also encourage reforms to attain an investment grade sovereign rating for Vietnam. Both are important steps to attract the inflow of economic growth.

Greater transparency and predictability in Vietnam's tax system would strengthen Vietnam's investment climate, particularly avoidance of retroactive rulings and assessments. The need for Advance Price Agreements (APAs) is important as supply chain inputs can cross multiple borders. We also encourage Vietnam to seek mutual ratification and implementation of a bilateral tax treaty with the United States and to respect the commitment to avoid double taxation in the interim, although positive economic growth was maintained during the pandemic. Many of the hardest hit industries such as tourism, hospitality, food and beverages and transportation have seen businesses either downsize or suspended. We urge the government to stabilize a tax policy in the coming years to help businesses recover and grow sustainability. Now is not the time to increase or expand tax business. In today's world, digital transportation transfer transformation significantly reduces the costs, provides products and services to a broad range of consumers and businesses and increases access to an ever-bigger market. Vietnam has already experienced strong growth in the E commerce, FinTech, EdTech and the creative economy. To reach its full potential, Vietnam needs to ensure an enabling regulatory environment that is consistent with the international practice as good services and data increasingly need to cross border. AmCham continues to dialogue with the Government, Ministries to ensure new regulations encourage open, transparent and globally consistent policies on the information data privacy, protection of intellectual property and cybersecurity and a free fair

reciprocal trade in digital services that conform with global norms in both foreign and domestic companies. Increasingly global supply chains demand clean resources of energy for their operations. Progress on Vietnam to energy transformation, will create benefits for the broader economy and help me the commandments of Vietnam's made at the global climate conference in Glasgow. As we discuss in the next sessions, in greater depth, clean energy policy and PDP VIII should reflect a whole of government approach and view energy growth from mainly angles: access to finance, tax policy, use efficiency, public education, carbon emissions, transmission, and storage and innovation. Any plan must embrace new innovations such as hydrogen storage capacity, and other types of renewable. The pandemic has also highlighted the importance of other infrastructures including bridge airports, roads and bridges. Infrastructure projects contributing to clean air, clean water and clean environment and pay benefits for the incoming investment, trade and travel alike. AmCham recommends additional measures to streamline customs clearance and other port logistics.

Human resources is also important. AmCham members are committed to help developing a global competitive workforce. We support the upgrading of the vocational training program as key to labor needs. AmCham also encourages the Government to streamline of work permits requirements, elimination of entry permits for experts to ensure that Vietnam can contribute to attract and retain the top talent.

We also believe in investing in health as a driver of economic growth, including streamlining tech transfers for medicines and reducing regulatory burdens to ensure the supply of critical medical and support enhancement of investment into developing a vibrant pharmaceutical sector.

Our AmCham member companies are optimistic about the future in Vietnam. We believe that substantial progress on the issues raised above will enable a sound and resilience recovery and support Vietnam's aspiration to propel itself into the next sphere of economic competitiveness. We place great importance on engagement with the government.

Mr. Kim Han Yong, Chairman of the Korean Chamber of Commerce and Industry in Vietnam

- **Regarding tax**

Vietnam is making important achievements in regaining growth momentum thanks to the increase in trade turnover and rapid economic recovery despite the difficult circumstances caused by the pandemic domestically and internationally.

To accelerate economic growth and investment revitalization, it is necessary to provide an environment that meets global standards in which companies can invest and quickly respond to changes in circumstances.

Recently, there have been some improvements in regulations, such as the revised Law on Tax Administration and the amendment of the Agreement for the Avoidance of Double Taxation between Vietnam and South Korea. In this regard, I respectfully request that the Government will provide clear guidelines to ensure that these regulations are consistently applied nationwide, while also providing more seminars to disseminate these changes to Korean businesses operating in Vietnam.

We hope this VBF forum will be an opportunity for Vietnam to recover and become an even more attractive investment destination through an overall review of the tariff system as well as the investment environment of related enterprises, and at the same time review and implement improvement measures.

- **Regarding energy**

Since the UN Climate Change Conference COP26 last year, discussions on sustainable and eco-friendly energy development are being conducted very actively in Vietnam. I learned that Vietnam is also opening up various possibilities regarding new and renewable energy, LNG, hydrogen, and small reactors, in addition to existing thermal power plants. Currently, many Korean energy enterprises are promoting the construction of LNG power plants in various regions, including Quang Tri in the central region, as well as in the northern and southern regions of Vietnam. Moreover, Korea has enacted the world's first "hydrogen economic law" and owns the world's best hydrogen energy technology. Vietnam is also currently considering an investment in various fields such as using LNG facilities for hydrogen production and investing in hydrogen gas power generation projects, we hope that this will be an opportunity for cooperation to help both sides develop together in the field of energy.

- **Regarding trade**

Entering 2022, the Regional Comprehensive Economic Partnership Agreement (RCEP), the world's largest FTA including Vietnam and South Korea, has officially come into effect. After RCEP comes into effect, Vietnam will rise to become the center of Southeast Asia and Oceania trade and trade relations with Vietnam, an important economic partner of South Korea, will be strengthened even more in the future.

However, it is unfortunate that companies cannot utilize the RCEP, which came into effect on January 1st of this year. We hope that the practical procedures such as the form of the certificate of origin, the issuance method, the procedure for applying the RCEP import tax rate will be implemented soon.

Finally, Korea officially started the process of preparing to join the CPTPP in December last year and is reviewing the details. We look forward to receiving active support from the member countries present here today, including Vietnam, so that Korea can officially join the CPTPP.

Mr. Seck Yee Chung, presentative of Associate Consortium Chambers

1. Business Support and Investment Incentives

We appreciate the policies and regulations that help with softening the economic impact of the pandemic, as well as incentives to attract desired investments (e.g., large scale or high-technology investments).

For example:

- **Decision No. 27/2021/QĐ-TTg** of the Prime Minister dated 25 September 2021 on reducing land rent by 30% for those affected by the pandemic.
- **Resolution 116/2021/NQ-CP** of the Government dated 24 September 2021 on reducing contribution rates to the unemployment insurance (UI) fund ("**Resolution 116**").

However, it is also important to ensure that such support and incentives are meaningfully implemented.

There are cases where foreign investors applied for the grant of the investment incentives, but relevant authorities hesitated to grant those incentives as they are overly cautious. There are FIEs that applied for the loan package under Resolution 68 - but were asked to provide many additional documents, without which, the Bank for Social Policies will not approve the loan.

Again, we request for application of these regulations in a way that is transparent and not overly burdensome.

2. Merger Filing

Vietnam's merger filing regulations are now more comprehensive and more deals would need merger filing approval from the competition authority. This is a time-consuming process that can take from a few to several months - in particular as the competition authority has wide discretionary powers in whether and how to progress an application.

We request for more transparency and certainty in terms of process and timing.

3. Real Estate

There continues to be strong interest in the real estate sector - from commercial to residential, to logistics and industrial parks.

Warehousing / logistics

Due to the growth of e-commerce, and the shift of production to Vietnam, investments into warehouse and fulfillment centers to support such sectors are also growing. One of the challenges is finding the appropriate sites for such businesses because of zoning that is unclear or not suitable. We propose for more certainty that warehousing and logistics investment can be carried out within industrial zones.

Real estate business

The new Decree 02/2022/ND-CP dated 6 January 2022 (which will be effective as of 1 March 2022) ("**Decree 02**"), provides helpful guidance on certain legal requirements applicable to the real estate business.

However, more clarity is still needed to address certain challenges - for example:

- conditions and procedure for the investors to receive land from the State or to lease land from local land owner;
- challenges of the investors in land compensation procedures;
- lack of legal framework for the second-home market.

We hope for further guidance in this regard.

4. Digital Economy / e-Government

It is exciting that the Government is focused on the digital economy, smart cities, and IR4.0.

Regarding administrative procedures, we advocate further use of online submissions, reduce use of paper, recognition of e-signatures, and use of e-mails between authorities - so as to efficiently bring in new investors and capital.

We encourage the Government to further support:

- fintech business models, to introduce a regulatory sandbox, and to ensure that this sector is open for investment - both foreign and domestic.
- digital healthcare models - to enable telemedicine, remote treatment, e-pharmacy, and to develop a national patient record database that is built with data protection methods and accessible by all medical establishments - whether public or private, or domestic or foreign invested.

5. 0% VAT treatment for exported services

Exports of products from VN is a key economy driver for decades. Export of services can be same and we advocate for 0% VAT treatment for exported services (meaning services to offshore customers and payments from offshore). This will make Vietnamese service providers (and the increasingly highly educated workforce) more competitive in the international market.

6. Mobility

In terms of mobility, we encourage the Government to continue with reforms to safely allow back into Vietnam international tourists and business and work travelers. We also encourage the Government to continue to enable cross-border data flows in a way that is safe and where integrity of the data is secured. Both people and data need mobility in order to bring value to the economy. Our members are fully committed to developing the VN economy and her workforce. We believe these proposals will help further VN's success in the new normal.

SESSION 2 – ROLE OF RESPONSIBLE BUSINESS IN RESILIENT AND SUSTAINABLE GLOBAL VALUE CHAINS

Mr. Yoshiki Takeuchi, OECD Deputy Secretary-General

Over the past two decades, Vietnam's degree of integration in the global value chains has expanded exponentially, as evidenced by your participation in regional and bilateral free trade agreements. In 2020, Vietnam's export turnover reached about USD 286 billion, leading to a 50-time growth over the past 20 years. The export-led growth strategy has driven Vietnam's strong economic growth, providing more opportunities for Vietnamese workers, promoting technology transfer and shaping a dynamic business environment. The advantage of Vietnam's growth strategy has also been proven in the context of COVID-19 crisis. Being one of the first countries affected by the pandemic, though, the Vietnamese economy has shown its incredible resilience. Vietnam was one of only a few countries to record positive GDP growth in 2020. In 2020, Vietnam also posted the highest trade surplus in five years with a total import-export turnover of USD 543 billion. However, for Vietnam and many other countries globally, the COVID-19 pandemic has taught us that the interconnected and interdependent nature of the global economy has led to disruptions to global value chains. In reality, about 30% of international trade today involves global value chains. These value chains, with a combination of services, raw materials, parts and components, play a crucial role in

distribution of essential goods, especially during such crises as the COVID-19 pandemic. They will be exchanged between countries before being incorporated into the final products sent to consumers around the world. This shows that any disruption in one country can have a global impact. Vietnam, like other countries, would also be affected in this case. For example: Sudden order cancellations, failure to perform contracts, delayed salary payment to workers and factory closures have caused disruptions to global value chains, sometimes leading to consequences to workers and consumers.

Ladies and gentlemen, despite complicated developments of COVID-19 around the globe, we have reached an important moment. Following short-term crisis responses, we now should have proactive, comprehensive and future-oriented policies so that our economy can thrive and better adapt to future crises. Designing and, in some cases, rebuilding global value chains is an important part of this effort. This must effectively mainstream responsible business conduct, or RBC, into global value chains. RBC tools can build adaptability in global value chains by enhancing risk management and business due diligence strategies and promoting awareness, transparency and accountability and flexible operations. Drawing on tools such as the OECD Guidelines for Multinational Enterprises and the OECD Due Diligence Guidance for Responsible Business Conduct, businesses can build systems that enable them to weather crises while building resilient business operations and supply chains in the long term. Importantly, with today's event, references to RBC in the trade and sustainable development provisions of the recently signed EU-Vietnam Free Trade Agreement (EVFTA) provide an opportunity for us all to fulfill RBC requirements for a better future. For Vietnam, this can spur ongoing efforts for Vietnam to become an upper-middle-income country by 2030 and a high-income country by 2045 as targeted in your socio-economic development strategy in the period 2021-2030. Promoting responsible and sustainable global value chains will attract investment, promote equitable and sustainable recovery, improve living standards and deliver on the Sustainable Development Goals.

OECD is excited to strengthen and further deepen our cooperative ties with the Government of Vietnam, including in the implementation of the OECD Southeast Asia Regional Program. The Memorandum of Understanding recently signed between Vietnam and OECD is another important milestone, for the sake of mutually beneficial cooperation. Among others, building resilient global value chains is a priority area of cooperation. On a personal level, I had the honor to work closely with Vietnamese authorities during my assignment at the Japanese Ministry of Finance. And I am pleased to continue working with you in my role as OECD Deputy Secretary-General. OECD stands ready to support Vietnam in designing, developing and updating policies for a prosperous Vietnam.

SESSION 3 – ROLES OF LOCAL AND FDI BUSINESSES IN GLOBAL SUPPLY CHAIN

Unlocking the finances needed for industry clusters and supply chain growth

Presented by Mr. Dominic Scriven, Head of VBF Capital Markets Working Group

2021, just past, and 2020 before that, must be two of the worst years in the history of modern Vietnam. That said, the firm leadership, endless commitment, and strong unity of the people and leadership of Vietnam, have delivered results that have impressed and surprised the world. This can be seen in the success and good spirits within Vietnam's capital markets, as of today. Let us consider:

1. The total capitalization of VN's equity markets is approx. USD340bn, or 95.6% of GDP, ahead of the vision set for VN in 2025.
2. The size of the Govt debt market is \$60bn, and the VN Government can currently borrow cheaper than the US Treasury.
3. 2021 saw an increase of 56% in new stock trading accounts (meaning 1.5 million new investors). More and more people get exposure to and consider stock market as a channel to accumulate wealth.
4. In 2021, average daily market turnover increased 3.6 times to reach \$1.1bn (equities) and \$0.5bn (debt).
5. Capital raised, via both equity and debt reached an estimated \$29bn, equivalent to 45% of total credit growth in 2021 (almost equal to total FDI).
6. The number of listed companies with an enterprise value over US\$1bn has increased from 5 to 62 in just ten years.
7. VNX's 10-year return is the best of all major markets in the world.

Fig. 1: Total Returns (USD Adjusted) – December 31, 2011 to December 31, 2021

Indices	Total Return	10Y CAGR
1 VNINDEX (Vietnam)	425.7%	18.0%
2 S&P 500 (US)	362.1%	16.5%
3 TAIEX (Taiwan)	300.4%	14.9%
4 TPF (class A)	285.2%	14.4%
5 NZX 50 (New Zealand)	249.5%	13.3%
6 NSE 500 (India)	242.3%	13.1%
7 Nikkei 225 (Japan)	174.6%	10.6%
8 CAC 40 (France)	172.9%	10.5%
9 CSI 300 (China)	158.5%	10.0%
10 DAX (Germany)	135.1%	8.9%
11 ASX 200 (Australia)	127.0%	8.5%
12 SET (Thailand)	110.2%	7.7%
13 KSE 100 (Pakistan)	99.8%	7.2%
14 MOEX (Russia)	97.8%	7.1%
15 KOSPI (South Korea)	86.1%	6.4%
16 HSI (Hong Kong)	79.3%	6.0%
17 PCOMP (Philippines)	69.7%	5.4%
18 FTSE 100 (UK)	69.3%	5.4%
19 JALSH (South Africa)	61.1%	4.9%
20 STI (Singapore)	60.3%	4.8%
21 JCI (Indonesia)	36.9%	3.2%
22 KLCI (Malaysia)	8.4%	0.8%
23 IBOVESPA (Brazil)	-38.0%	-4.7%

The capital markets play the following important roles in the development of Vietnam; in particular, to address the themes of today: *Restoring the economy & Developing supply chain in the new normal*, with a particular focus on the domestic VN private sector:

1. **Government finances:** The Government Bond Market offers govt flexibility in managing the flows in and out of the State Treasury; it is the principal location for Govt to borrow for infrastructure and other budget needs; it is an extremely important market for setting monetary policy, and finally, is the basis for the risk-free interest rate which is a foundation for the cost of capital throughout the country.
2. **Medium-long-term finance:** As the banking sector seeks to reduce maturity mismatches between short-term liabilities (principally deposits), and medium to longer term assets (principally loans to households and businesses), and are subject to restrictions on credit growth, capital markets are the obvious funding alternative to commercial banks.

VBF Banking WG (BWG) would recommend:

First, BWG is looking forward to receiving feedback and direction from the Government, the Ministry of Finance and the State Bank of Vietnam regarding the retroactive application of VAT on Letter of Credit (L/C) fees. We support SBV's point of view and propose not to retroactively apply VAT for a period of 10 years to lessen the difficulties and tax burdens.

Second, the State Bank of Vietnam is kindly requested to consider expanding the credit room so that banks can have more room to lend to and support businesses (particularly small and medium enterprises) when necessary.

3. **Private sector:** Capital markets are a principal source of finance for strong and growing private sector companies. Companies can access strategic partners through market transactions; they achieve proper valuations for their businesses, including goodwill. Markets reward success, and indicate failure. Through listing on markets, companies find a mechanism for retaining talent and succession planning, developing strong brands, and a currency with which to make acquisitions. Evidence of this, as mentioned earlier is the number of companies worth over US\$1bn has increased by ten times in ten years.
4. **Pricing of capital:** Through the continuous processing and assessment of information, markets have a reliable and constant ability to assess and price risk, making them one of the best determinants of the price of capital for each business.
5. **Quality/transparency of enterprise management:** Through the requirements to disclose all relevant information, and interests of related parties, regular financial reports, disclosures on governance, the markets promote transparency, responsibility, and accountability.
6. **Long term investment of domestic savings and investments:** In most developed economies, long term savings, and investments to provide for old age, are regularly invested via pension funds into equity and debt markets. Investment via capital market institutions thus reduces the burden on the state for social care, and allows individual citizens to take responsibility for themselves.

7. **SOE Reform:** Markets offer a mechanism to accelerate reform of SOE's, through promotion of transparency, provision of valuation, ability to divest, and entry of strategic partners.
8. **Green Finance:** As Vietnam moves to meet its brave CO2 commitments, the markets can be charged with the task of developing market-based instruments to fund green investments, and price carbon emissions.

VBF BWG would recommend:

First, the Government, Ministry of Finance, and State Securities Commission should promptly complete the financial policy framework for the development of the green capital markets and green financial products, attracting investment for green development. The State Bank of Vietnam should also quickly promulgate specific documents and regulations on green credit and strengthen the driving forces for banks and credit institutions to provide green credit.

Second, the banks should be allowed to develop new sustainable trade finance solutions to support businesses in implementing and applying more sustainable operation methods within their ecosystems as well as in developing more efficient supply chains, encouraging customers to improve transparency in information disclosure, reporting, and use of resources, while meeting Environmental, Social, and Governance ("ESG") objectives.

However, in order to perform these functions, the following are required:

1. **Close and informed co-operation between key govt bodies:** Key Govt Agencies such as SBV, MOF, MPI, MOJ, GO, as well as SSC, all have a role to play in developing and regulating the markets. Successful co-operation is key. Should Vietnam look to a centralized and specialized management authority for capital market?
2. **Solid infrastructure:** Although in some senses they are invisible, the markets need a strong hard and soft infrastructure. Vietnam is to be commended on its strong base in law, and in other regulations. Further investment is needed to unify Vietnam's different markets, install efficient and reliable trading systems, provide an international standard central clearing party, develop credit-rating agencies, and above all, a body of well-trained regulators.
3. **Investor Confidence and Protection:** Partly because of their 'invisibility' markets are enormously dependent on confidence, which in turn requires transparency, fairness, discipline of malfeasance, and other mechanisms to protect investors, particularly in Vietnam's market with very high levels of individual participation (with 93% of total daily trading).
4. **Institutions and diversified participants:** Like any eco-system, capital markets thrive from a diversity of participants, institutions, levels of interest and activity. Vietnam's markets today are very one dimensional, with the debt market reliant on commercial banks; and the equity market reliant on individual investors. More could be done to develop other institutions, to encourage pension funds, insurance companies and other types of institutional and professional investor.
5. **International access:** Vietnam has a remarkably open economy, yet international participation in capital markets is frankly rather low, and well below the level that could be achieved. The

issues are not always simple, but a concerted effort could deliver more impressive results than currently.

- 6. Innovation:** We hear much of 4.0, and the financial sector needs support and encouragement to develop a properly legislated environment for fintech; and also the structures to support start-up funding.

VBF BWG would recommend:

- (1) Instructing and speeding up the study and amendment of the Law on Electronic Transactions, promulgating a Decree on electronic identification and authentication, and promulgating a Decree guiding the Law on Cybersecurity with more appropriate and specific instructions.
 - (2) Promulgating a Decree on a mechanism for controlled testing of financial technology (Fintech) operations in the banking sector. Studying the legal framework allowing the application of tangible cash flow management - physical cash pooling products in Viet Nam.
 - (3) Instructing the Ministry of Public Security to complete the National Population Database, with a decentralized information sharing mechanism, allowing the banking sector to connect with and utilize online information from this database for comparing and verifying customer identification information by electronic means.
- 7. A culture of Risk Management:** Together with the local capital market development, policymakers need to be increasingly aware of the management of risks, within, but more particularly outside the borders of Vietnam. These would currently include: the recent rapid rise in debt amongst most global economies; the persistence of negative real interest rates; rising inflation and income inequality; the absence of a properly planned transition path to decarbonization; and the corollary of volatile global energy prices; aging demographics and the rising demands for social care.

Power and energy and enhancing a sustainable environment for growth

Presented by Mr. Michael R. DiGregorio, Head of VBF Environment WG

COP26 made it certain that the world has turned to phase down the use of coal. Governments, multilaterals, the private sector, banks - in short, all major institutions with a stake in energy - have agreed that the negative environmental impacts of coal thermal power far outweigh short-term economic gains. In addition, importing coal for power creates supply chain risks. Over the past year, not only coal, but oil and gas as well, prices surged on post pandemic demand and limited supplies, creating inflationary pressures in the power transport, chemical, fertilizer and steel sectors.

To attract the funding necessary to move away from coal, Vietnam will need a pipeline of bankable, economically feasible and lower emission energy projects. To maintain grid stability and expansion, Vietnam must also secure a baseload sufficient to replace coal. This means the transition toward renewables, including hydro, wind and solar, will require a pathway that includes energy storage and flexible gas or LNG power. These projects can be designed now for the introduction of hydrogen as a renewable, clean fuel source in the near future.

I think it is an open secret that many of the major oil companies that missed opportunities in renewables are now investing in hydrogen, both in the production of hydrogen and in supply chains.

These companies are expecting the first place where hydrogen will be used is in automobiles and transportation and then gradually become more common in power supply. Our member companies are eager to see progress in our discussions with the Vietnamese authorities as we develop a legal framework for high quality energy projects to access funding and international financing markets. Subsidized feed in tariffs have played a key role in attracting renewable energy investors and manufacturers, making Vietnam the leader in renewable energy capacity within Southeast Asia.

Renewables must play a role in Vietnam's energy future. However, EVN cannot continue to pay substantial subsidies and take losses on the sale of electricity. A financially strong EVN is a prerequisite for sustainable power development. We fully understand the need to support manufacturers hotels and retailers with subsidized power as we rebuild supply chains post COVID. However, over the long term, international unsubsidized rates for electricity for renewables, LNG, and other power sources are compatible with Vietnam's roadmap for electricity pricing, and will also support compliance with international climate agreements.

In addition, a financially strong EVN and bankable PPAs will make it possible for private investors to access lower cost green financing and reduce CO2 emissions. VBF Power and Energy WG and Environment WG welcome the opportunity to provide continue realistic inputs into the policy dialogue regarding the development of the country's energy sector. The political, financial and technical leaders attending today are working together to ensure that clean power is the most attractive option for new power generation in Vietnam. And to support its targets of zero carbon by 2050, at the same time, we are growing a coalition of professional banks, financial institutions, investors, planners, developers, equipment and service providers, working together to meet these goals with the best technical, social, environmental and financial expertise, local knowledge and the highest standards for corporate social responsibility. We are also aware of the changing geopolitical climate with respect to climate change over the past few years. Now, even the most reluctant countries have become aware of the impacts of climate change on their security, political stability, ecology and economy. The EU in particular has addressed these issues through their Green Deal of which the carbon proposed carbon border adjustment mechanism is a part. According to draft legislation submitted to the EU parliament, importers will have to purchase emissions allowances for the embedded carbon and 30 product sectors with the price equal to the weekly average of similar EU emissions allowances. We believe that carbon border adjustments will play an increasing role in supply chains, not only with the EU, but also Vietnam's other trading partners. As companies and countries try to reduce their carbon emissions, at this time, only iron and steel, aluminum, fertilizer and cement imports would be included under the proposed CBAM (Carbon Border Adjustment Mechanism). The total value of exports from Vietnam to the EU in these categories for the year ending 31 June 2021, was about 1 billion Euro. We have no way of knowing what the cost of EU emissions allowances will be when importers begin payments in 2026. However, at the current price of EU Emissions allowances and the current rate of exports, iron and steel importers alone would be required to buy 1.7 million certificates at a cost of 137 million Euro. We see opportunities in this for Vietnam to push forward its transition to the 21st century technologies that lower carbon emissions and would encourage the government to cautiously accept the EU proposal. Over the next few years, Vietnam can work with the EU developing a timeline for implementation, support for the development and implementation of Vietnam's emissions trading system and support for technology transfer, capacity building and policy reforms that encourage a transition to a lower carbon economy.

In 2020, VBF Power and Energy WG prepared the Made in Vietnam Energy Plan 2.0 (MVEP 2.0) was a business approach, trying to find a route to safe, reliable, and secure power for Vietnam. That used Vietnam's own energy resources. The Power and Energy WG in 2022 will develop the MVEP 3.0 which will concentrate the private sector support in the implementation of PDP 8, especially in securing the private sector financing, local and international planning, investment, development and operation capacity building and recommendations on technical standards for a sustainable power development plan.

Digital technology as a key tool for growth

Presented by Mrs. Ha Nguyen, Co-Head of VBF Digital Economy WG

The COVID-19 pandemic saw an unprecedented reliance on technology and data services. Organizations that embraced the digital technologies were able to swiftly adapt to disruption, leveraging its elasticity to scale services up and down as needed, save costs, and optimize resources. As innovation and emerging technologies continue flourishing, so will the need for public-private collaboration. Strong public-private partnerships will allow both parties to jointly address oncoming challenges, collectively innovate and test new ideas, and share their expertise. These partnerships are valuable as they typically result more enabling policy environments. As Vietnamese Government have more opportunities to learn about these emerging technologies, they are able to develop a better understanding of how to craft stronger and more fit-for-purpose policies to keep pace with the rate of digital transformation – or even accelerate it.

Government to pioneer digital transformation

The most important strategy a government can adopt to accelerate economic and social recovery is to be a champion of digital transformation itself, and encourage change. Beyond immediate efforts, we recommend the Vietnam Government look at the long-term benefits of digital transformation and be a strong advocate for progress. For example, as we've seen from the pandemic, the cloud has kept many governments and organizations resilient during these times of disruption with its cost savings, scalability, reliability and security. To promote long-term resiliency, Vietnam Government can introduce Cloud First Policies to offer directional clarity that government agencies, and other organizations, are encouraged to adopt commercial cloud. Leading by example, the Government can demonstrate how the cloud improves transparency, delivers more innovative services to citizens, and reduces IT costs for the public sector; this could translate into a strong signal to its businesses and other organizations to do the same. The most effective cloud-first policies are often ones that clarify the roles and responsibilities of government entities and cloud service providers, adopt a risk-based approach to data classification, leverage international standards for compliance and accreditation, and accommodate a procurement mechanism that recognises the pay-as-you-go model of cloud. By embracing the cloud and its benefits, public sector organisations can focus on their core mission-serving citizens.

We applaud the Government's efforts to launch more than 1000 services available on the Single Public Services Portal. In order to make further progress, it would be important to recognise certificates for electronic signatures issued to individuals. The foundation of a digitalised world is to provide electronic alternatives for wet signatures and personal identification. Aligning Vietnam's standards with those defined by The Electronic Identification and Trust Services Regulation

(eIDAS) would be the first step, expediting the regulation around the Electronic Signature standards and converging towards a global standard.

Betting big on startups

As the country continues to rebuild and recover, Vietnam Government may invest in and support ideas that will kickstart the economy. Startups and SMBs are at the heart of these innovative solutions and are a critical growth engine for Vietnam. Many Vietnamese startups and SMEs are the beneficiaries of our members' advanced technology infrastructure to help early-stage startups as they build, launch, and grow solutions in health, digital government, smart cities, agriculture, and space technology. Many of our members remove barriers for Vietnamese entrepreneurs who want to make an impact in the public sector by providing technical design and architecture reviews, mentorship, credits, and support with go-to-market plans to help navigate the complex regulatory and security requirements in the public sector.

Governments can lead new technology adoption by example, and they can support the startup ecosystem by investing in policies, including sector-specific policies, that allow them to harness the full benefits of the new technologies. For example, allowing for cross-border data flows can help startups and SMBs scale and take innovative businesses global. Encouraging cross-border data flows can improve productivity and trade and developing policies promoting digital trade in the region can truly boost local economies.

Digitisation and decarbonization

New technologies has helped Asian countries accelerate digital transformation, while simultaneously opening avenues for decarbonisation. For example, companies can already reduce their carbon footprint today by adopting digital signatures or moving to the cloud. New technologies allows us to achieve greater energy efficiency, and government policies should encourage tools and services to help organizations architect and innovate sustainably.

Investments in renewable energy to supplement energy efficiency efforts across operations will also be key in helping us drive greater sustainability outcomes for Vietnam. Many of our Digital Economy Working Group members are the world's largest corporate purchasers of renewable energy, and we are on a path to run our worldwide operations with 100 per cent renewable energy by 2025. We continue to collaborate with private and public partners to encourage more renewable energy procurement options for corporates in the region. While we have made some progress, helping governments develop the right policies for twin transitions in digitisation and decarbonisation will be imperative for shaping a sustainable economic future for the country.

Digital Infrastructure and Novel Services

We are encouraged by the Government's recent announcement to welcome global technology companies to invest in digital infrastructure and novel services (such as Internet of Things, Infrastructure as a Service, Data Centers...). These novel services underpin the development of a robust and dynamic digital economy in Vietnam. Novel services speed up Vietnam's goal of unlocking digital economy, and give access of Vietnam enterprises to the wealth of global innovation that can support and enhance their digital transformation. We highly recommend that any new digital laws and regulations take the digital infrastructure and novel services out of licensing

regime. Instead, investment incentive programs should be considered to encourage investments in digital infrastructure and deployments of novel services.

We recommend the Government take into account following considerations when considering any regulations impacting digital infrastructure and novel services, so as to not inadvertently compromise the reliability and security on which IT customers depend, or to stifle innovation.

- Use a measured, fit-for-purpose approach as these business models operate across a range of industries and jurisdictions, each with varying business and risk considerations.
- Align regulations with international standards to maximize the value of compliance processes, and to ensure any local requirements remain globally relevant.
- Encourage innovation and level playing field. Any new regulatory framework should be designed in a way that it does not restrict the ability of technology providers to innovate. New regulations should create a level playing field for all players and support innovation across the sector.
- Avoid overregulation and duplication to avoid inadvertent impact on all of the sectors in which novel services are typically provided to and which are regulated respectively (like telecom, financial services, energy, automotive, healthcare, aerospace and others).

Secured and free flows of data cross borders, alignment with international privacy laws

Enabling the free flow of data across borders is crucial for Vietnamese businesses and multinationals operating in Vietnam to service domestic and international customers. Where no data localization mandates exist, tech-dependent businesses can take advantage of advanced technology solutions that allow affordable and scalable ways to deploy the latest technology and tools across the network to make it secure, and that decentralize where sensitive or personal data are stored to ensure it is harder for malicious actors cannot find and access.

To promote development of Vietnam as an attractive tech investment hub, we recommend that the Government encourage the free flow of data across borders, putting in place guidelines to facilitate data transfer in a safe and secure manner, such as recognizing internationally reputable third-party data security, privacy, and information management certifications (e.g., ISO). We strongly recommend the Government to rethink restrictive data localization requirements currently proposed in laws and decrees of cyber security, personal data protection, internet and data center services...), to address legitimate data-related concerns raised by the international business community, to ensure citizens, enterprises, and government agencies can maximize the enormous societal and economic benefits of data and digital technologies.

Digital Upskilling and Reskilling the workforce

Proactively encouraging digital transformation efforts – such as investing in workforce development for digital skills, introducing policies conducive to technology adoption and innovation, and incentivizing the digitalization of businesses – should also be part of government’s digital strategy. A major takeaway from the Covid 19 pandemic has been the fundamental need to equip our workforce with the necessary digital skills to embrace and drive transformational change. And as the demand for digital-skilled or digitally-skilled talent expands, so does the need for greater workforce development. Bridging the skilling gap will involve deeper public and private sector collaboration,

and this can be achieved across a few different areas, to target not only students and currently skilled workers, but disenfranchised workers as well. Some best practices could include:

- Developing digital skilling roadmaps to identify skills trends and gaps;
- Cultivating a strong base of horizontal digital competencies for students, with a focus on STEM;
- Incentivizing employers, particularly MSMEs, to invest in their workers' digital skills development; and
- Promoting lifelong learning programs for continuous skill upgrading.

These foundational best practices can serve as a guide to help governments begin evaluating their unique challenges and skills priorities. This will be essential to building up effective and impactful skilling programs. We look forward to partnerships with Vietnam Government to build these programs.

Vietnamese digital products go global

International business community supports the Government's ambition to bring Vietnamese digital products and solutions to the world. Vietnam's digital economy will be interconnected with the global digital economy driven by international partnerships and opportunities. We encourage the Government join global partnerships and frameworks that shape the norms for the digital sector, benefiting Vietnam's digital businesses and digital economy. Across continents, countries accelerate digital economy collaborations, enabling a more trusted and secure digital environment to benefit participating economies, to support an open, innovative, and integrated global digital economy.

Vietnam has become an attractive investment destination since its participation in many international trade agreements and integration into the global trade. We encourage Vietnam take bold steps joining the global digital economy agreements to unblock its digital capability potential, to achieve its ambition to become a high income economy.

Government, International and Domestic Private Sector go further together

Digitalizing all industries and the whole economy is a long journey that requires a lot of efforts of all people, and there are a lot of things for Vietnam business to do when transforming their business. Vietnam Business Forum's Digital Economy members want to put heavy investment in Vietnam such as in digital infrastructure, services, solutions, partner resources, training resources, to best support Vietnamese Government, our Vietnamese technology partners and customers in their journey. We wish to participate in discussions to reach consensus in digital related policies.

RESPONSES OF REPRESENTATIVES OF MINISTRIES

Response of Mr. Nguyen Sinh Nhat Tan, Vice Minister of Industry and Trade

Regarding Power Development Plan VIII (PDP8), at the guidance of the Prime Minister, the Ministry of Industry and Trade is closely reviewing the adjusted Power Development Plan VII as a basis for DPD8 development towards green and clean renewable energy. Priority is given to solar

and wind power projects, including offshore wind power, focusing on regional balance of transmission and load components, to ensure feasibility of the plan.

To achieve the goals as committed by the Prime Minister at COP 26, the Ministry of Industry and Trade will make our best efforts in encouraging and attracting investment in clean energy as well as developing clean industries. The Ministry of Industry and Trade will surely consult the business community on the latest draft of PDP8.

Response of Mr. Nguyen Duc Chi, Vice Minister of Finance

The Ministry of Finance (MOF) actively participated and responded to the issues raised by the business community at the technical session. MOF will finalize a report to the Prime Minister and have a plan to deal with these issues.

In 2022, MOF will further focus on institutional improvement and administrative reforms to build an enabling business environment. Among statutory bodies, MOF has been one of the best performers in administrative reforms since 2014.

For recommendations of the business community submitted through the business associations last year, MOF promptly reviewed and addressed challenges faced by enterprises. MOF also regularly held discussions with the business associations, especially on tax and customs matters. Based on these discussions, MOF promptly resolved most of the problems faced by business.

MOF will further work on administrative reforms, application of information technology and digital transformation in the fields of taxation and customs to streamline MOF inspections and simplify tax and customs procedures, thus providing enabling conditions for business operations.

For the capital market, MOF will systematically develop and improve legal documents to ensure the stock market is open and transparent to protect the interests of investors. With the support of market members, investors and active engagement and leadership of ministries in the coming time, we hope that the capital market will thrive to meet the expectations of investors as well as Capital Markets Working Group.

MOF undertakes to further work closely with the business associations under VBF in timely handling issues within scope of authority of MOF to meet the expectations of the business community.

Response of Mr. Le Van Thanh, Deputy Minister of Ministry of Labor, Invalids and Social Affairs

Regarding labor policies for expats working in Vietnam.

The Labor Code, which took effect from January 1, 2021, aims at ensuring jobs for domestic workers and the quality of qualifications and technical expertise of expats in order to support production and business activities of enterprises and organizations.

In recent years, the implementation of policies for expats has been carried out synchronously and timely with close coordination among the Ministry of Labor, Invalids and Social Affairs, Ministry of Planning and Investment, Ministry of Finance, and Ministry of Foreign Affairs in communicating, guiding, sharing information, and solving problems arising in practice. Good practice of policies on expats working in Vietnam can both ensure the highly qualified foreign workforce in important positions, aiming to improve the quality of employment. This will create a premise in supporting the production and business of large enterprises, especially those concentrate at national key works, projects applying new technologies of multinational companies. Additionally, the foreign labor management policy supports the protection of job positions for the domestic labor force, creates a stable income, and develops a healthy labor market.

On that basis, the Ministry of Labor, Invalids and Social Affairs (MOLISA) has advised the competent authorities to issue:

- Labor Code, Articles 151 to 157, regulating the management of expat
- Decree 152, dated December 30, 2020 of the Government regulating expats working in Vietnam and recruiting Vietnamese labor managers to work for foreign organizations and individuals working in Vietnam.

In the course of implementation, besides the positive results achieved, there are also many recommendations for improvement from some organizations and businesses. To solve the problem, the Ministry of Labour, Invalids and Social Affairs has coordinated with relevant ministries and agencies to propose the Government to promulgate Resolution 105, dated September 9, 2021 on supporting businesses, cooperatives and business households affected by the COVID- 19. In particular, at Point a, Clause 4, Section 3 of the Resolution, the Government assigned the Ministry of Labour, Invalids and Social Affairs to direct localities to relax a number of regulations and conditions in granting, renewing and certifying work permits for expats working in Vietnam in accordance with the new context while ensuring strict COVID-19 pandemic prevention. The Ministry of Labour, Invalids and Social Affairs has also issued Official Letter 3246 dated September 24, 2021 to the Provincial, Municipal and Central Committees guiding the above Resolution. Resolution 105 of the Government has fundamentally addressed the shortcomings of Decree 152.

Regarding support for and attraction of expats.

The Ministry of Labour, Invalids and Social Affairs advised and submitted the draft to competent authorities for promulgation of regulations on the attraction, management and effective use of expats in Vietnam, dated September 9, 2021. In particular, there is a requirement to ensure the selective attraction of expats who are highly qualified experts, managers, professionals and technical workers that Vietnam really needs and cannot source domestically.

In today's forum, there are still many feedback about too stringent regulations in the grant and renewal of work permits for expats in Vietnam, we would like to acknowledge all these and continue to advise on amending and further facilitating work permits to expats in Vietnam.

Regarding human resource development and upskilling for the workforce.

This is one of the three strategic breakthroughs prioritized by Vietnam in its socio-economic development strategy for the period of 2021-2030. Vocational education development is the most important task in human resource development to take advantage of the golden population structure, preparing a direct, effective and skilled workforce to serve the country's socio-economic development. The Ministry of Labour, Invalids and Social Affairs encourages upskilling for the future workforce through cooperation between public and private vocational education institutions. The establishment of an international education organization working group with the Ministry of Education & Training is highly appreciated as well as the review of regulations for supporting digitization and greater access to enable lifelong learning, capacity building and digital skills training for the workforce. In 2021, the Ministry of Labour, Invalids and Social Affairs has advised the Prime Minister to issue Decision No. 1446 dated August 30, 2021 approving the program on training, retraining and unskilling the workforce to meet the IR 4.0 requirements, thereby training and developing human resources at all education levels and vocational education. These will equip the workforce with appropriate knowledge and skills to acquire, master, and operate effectively the technological advances of the IR 4.0, harmonizing the needs of businesses and human resources while contributing to improved labor productivity and national competitiveness to absorb new FDI influx into Vietnam.

Regarding the representative organization of workers at the grassroots level and ensuring equality
As discussed in the Technical session on February 18, 2022, we will continue to coordinate with ministries and agencies, and direct local Departments of Labour, Invalids and Social Affairs to perform better in the coming time.

PRIME MINISTER PHAM MINH CHINH'S CLOSING REMARK

- Vietnam has been implementing the renovation “Doi moi” for more than 30 years and will continue in the coming time and focus on 3 main contents:
 - Building a socialist democracy to concentrate all resources for economic development;
 - Building a socialist rule-of-law State of the people, by the people, and for the people under the Party's leadership;
 - Building a socialist-oriented market economy, with three main contents: eliminating bureaucracy, building a multi-sector economy, and integrating into the international economy.
- Vietnam's macro-economy continued to remain stable, coupled with controlled inflation, with major balances of the economy being ensured. Import-export turnover increased by 22.6% to nearly 670 billion USD - the highest ever, making Vietnam become one of the 20 largest trading countries in the world. FDI attraction in 2021 increased sharply (9.2%).
- Regarding vaccination against Covid-19, Vietnam has become one of the six countries with a high vaccination coverage rate in the world. Vietnam has changed its status to a safe and flexible adaptation effectively controlling the COVID-19 pandemic since October 2021, creating conditions for socio-economic recovery and development. The Party, State, and Government of Vietnam have highly appreciated the role and contributions of the business community.

- With the motto that people and businesses are the centers, the Government of Vietnam continues to implement 3 key strategies including perfecting institutions synchronously, developing human resources, building a synchronous and modern infrastructure system.

The goals and orientations for 2022: The year 2022 is of great significance for Vietnam, creating momentum for the implementation of strategic goals and orientations up to 2030.

- Continue to perform tasks in the context of the "new normal" and implement a program of socio-economic recovery and development with a scale of VND 350,000 billion (about over 4% of GDP), along with a pandemic prevention and control program based on accumulated experience in the last 3 years.
- Focus on solutions to restore the supply chain, ensure the circulation of goods, stabilize the source of fuel; ensure safe and smooth production and business activities. The focus is on prioritizing measures to ensure disease safety, simplify administrative procedures, and remove obstacles of mechanisms and policies in tax, credit, human resources, infrastructure, and logistics. Especially, developing a more oriented, competitive, efficient, and sustainable market in the following fields: Capital, land, resource, science and technology, and intelligence.
- Create an equal environment among all economic sectors; encourage private and foreign investment; investment in high technology, supporting industries, smart agriculture, environmental protection, renewable energy; construct infrastructure and projects serving social security.
- Give more priority to science and technology investment, improve research and development capacity
- Take advantage of the opportunities from new-generation FTAs such as the CPTPP, EVFTA, RCEP, etc. to expand Vietnam's market, diversify investment and business relations, and harmoniously balance with domestic market development; take strong and effective measures to prevent smuggling, trade fraud, the origin of goods, etc.
- Consider internal resources (including people, natural resources, historical and cultural traditions) as basic and long-term strategies; and external resources (support in institutions, finance, technology, governance, and human resource) as important and breakthrough factors, Vietnam is focusing on three strategic breakthroughs in terms of institutions, infrastructure, and human resources.
 - Regarding institutions, Vietnam will focus on amending and supplementing the legal system, especially new arisen issues that need to be adjusted to remove obstacles in terms of mechanisms and policies, creating favorable conditions for social-economic development.
 - Regarding infrastructure, Vietnam will focus on strategic infrastructure, especially traffic infrastructure, digital infrastructure, infrastructure adaptation to climate change, etc.
 - Regarding human resource training, Vietnam has strongly shifted from only equipping knowledge to comprehensively developing learners' capabilities and qualities.
 - Besides, Vietnam will continue to build and develop an advanced culture with national identity

- Regarding digital transformation, the Prime Minister emphasized that Vietnam is accelerating a comprehensively digital transformation (digital infrastructure, digital government, digital citizenship, digital economy)
- Regarding green transformation, in the spirit of not sacrificing the environment and towards sustainable development, the Prime Minister hoped to receive more support and help from the international community on institutional improvement, diversification of capital sources, green technology, clean technology, governance, and human resources.
- The Prime Minister assigned concerned ministries to synthesize the comments of the business community to report to the Prime Minister; assigned ministries to research and advise on finalizing institutions, policies, and laws; especially guiding and monitoring policy implementation at all levels.
- The Prime Minister assigned ministers, heads of ministries, and related agencies, within the scope of their assigned functions and tasks, to promptly respond to the recommendations of the business community at this forum; requested to strengthen the organization of policy dialogues with domestic and foreign business associations to resolve shortcomings and limitations, remove institutional and legal barriers; promote the development and recovery of the production chain.
- The Prime Minister requested the relevant ministries to consider absorbing and integrating reasonable proposals and recommendations given at the forum into Ministries' programs and action plans to implement the Resolution No.11/NQ-CP on the Socio-economic Development and Recovery Program, Resolution No. 43 of the National Assembly on fiscal and monetary policies to support the program.

The Prime Minister hoped that the business community, the Government, and the people will effectively implement the socio-economic development goals in 2022 with high results./.

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For more information, please contact

Vietnam Business Forum Secretariat

3B Floor, Horizon Tower, 40 Cat Linh, Hanoi, Vietnam

Tel: 84-24 3715 2223

Fax: 84-24 3715 2218

Email: info@vbf.org.vn

Website: www.vbf.org.vn

LinkedIn: www.linkedin.com/company/vietnam-business-forum-consortium/

Foreign Investment Agency

Ministry of Planning and Investment

6B Hoang Dieu Str., Ba Dinh Dist., Hanoi, Vietnam

Tel: 84-804 8416

Fax: 84-24 3734 3769