Accelerating ICT Development in Vietnam

Vietnam lags behind many other countries in the East Asia and Pacific region in terms of Information and Communication Technology (ICT) development. Recognizing the potential of ICT as an enabling tool for service delivery and as a potential source of growth, the government has made development of this sector a national priority. An ESW on Accelerating ICT Development in Vietnam identified key constraints to ICT development in Vietnam, outlined a strategic agenda to address these constraints, and proposed concepts for assistance by the World Bank Group or other development agencies. Follow-up nonlending technical assistance and an $88 million Vietnam ICT Development Project are helping achieve early results of this ESW, including establishment of the new Ministry of Posts and Telematics, strengthened telecommunications policy and sector performance, an improved legal environment for e-commerce, and greater use of ICT in government agencies. For instance, there is now increased competition with entry of new firms, prices of international calls have declined by about 75% and e-applications have cut the turn-around time for a few government services in some big cities by about 30%.

1. Challenge

Vietnam had made considerable progress in the telecommunications sector in recent years, particularly in the availability of modern basic and cellular services. But there was still a long way to go before Vietnam could fully enjoy the benefits of ICT. There were many constraints that inhibit acceleration of ICTs in Vietnam. Vietnam lagged behind many other countries in the East Asia and Pacific region, in terms of the level of information infrastructure. In 2000-2001, the cost of international calls was double the regional average, and Internet access was unaffordable for most individual consumers. Rural connectivity was poor. The penetration level of ICT among small and medium enterprises was low.

A more conducive legal, regulatory and institutional framework was required to provide stronger incentives for new investment, efficiency improvements, cost-based pricing, and the roll out of services to the poor and rural areas of the country.

Recognizing the importance of ICT as a driving force in the country's development, the Government requested the World Bank in 2001 to review challenges and opportunities for ICT development in Vietnam. A team was formed to produce the ESW report. It liaised with the IFC and other donor agencies in Vietnam including AusAID and ADB; senior officials from several government agencies at the national level; city officials in the biggest cities; representatives of the main information processing association for ICT; and major IT companies.
2. Findings and Dissemination

The ESW identified seven major constraints to ICT development, outlined a strategic agenda that addresses each constraint, and proposed concepts for follow-up investment and technical assistance. Among the priorities identified, two stood out as key: reforming the telecommunications industry's structure, regulation, and pricing, and creating an appropriate government structure for ICT development. Rapid improvements in these two areas, the study suggested, can set the stage for long-term improvements in all other areas.

With respect to industry structure, Vietnam Post and Telecommunications (VNPT) was effectively the only supplier of telecom services in the domestic market. The continued dominance of VNPT led to excessive telecommunication charges, particularly for international calls, and inhibited ICT growth. The study recommended a move toward cost-based telecommunications pricing to enhance the international competitiveness of Vietnamese firms. Toward this end, it called for introduction of more active competition in the telecommunications services market and setting up of a telecommunications regulatory regime.

With respect to government structure, there was need for an institutional focal point for ICT development. There were numerous agencies responsible for ICT development, including the Director General of Posts and Telecommunications (DGPT), the Office of Government, the Ministry of Trade, and the Ministry of Science, Technology, and Environment (MOSTE). The study recommended government re-organization to make it clear who is leading the ICT effort; and provide a clear mandate with enough authority, power, and resources to get the job done.

The ESW highlighted the importance of improving ICT usage within the government to enhance efficiency and have a 'showcase' effect to promote ICT use in the society. In addition, a conducive legal and regulatory framework for e commerce was proposed, along with training and promotion programs to encourage ICT adoption by SMEs. Other recommendations addressed rural connectivity, the education system, and the software industry.

The final report was translated into Vietnamese and delivered to the agencies in August, 2002. An executive summary of the note was published in the March 2003 issue of I-Ways: Digest of Electronic Commerce Policy and Regulation.

3. Subsequent Role for the Bank

The World Bank subsequently provided assistance to the Vietnamese government in several of the priority areas. Nonlending technical assistance (TA) addressed the telecommunications regulatory aspects of Vietnam’s accession to the World Trade Organization (WTO), and the legal framework for e commerce for Vietnam. The Vietnam ICT Development Project ($88 million credit), approved in 2005, is supporting implementation of the government's national ICT strategy; deployment of e government and SME applications in Hanoi, Danang, and Ho Chi Minh City; and modernization of the Government Statistical Office.

4. Key Results

The ESW had influence on several aspects of ICT development in Vietnam.

Establishment of the Ministry of Posts and Telematics. The government created a clear focal point for ICT development by restructuring the DGPT, adding some functions that were previously carried out by MOSTE, and upgrading the directorate to Ministry of Posts and Telematics (MPT) in 2002. It has a broad role in policy and regulation related to telecommunications, information technology, the Internet, electronic industry, and national information infrastructure.

Strengthened telecommunications policy and sector performance. As follow-up to the ESW, the Bank provided rapid response assistance on telecommunications policy aspects of WTO compliance. This accelerated Vietnam's progress toward WTO accession, accomplished in 2007. The government has authorized new entry in the telecommunications sector to increase competition and reduce pricing distortions. This has reduced the VNPT's market share from about 94 percent in 2001 to 80 percent by mid-2007. Prices for international telephone calls declined by about 75 percent between 2002 and 2007, and are now lower than the regional average.

Improved legal environment for e commerce. The Bank assisted Vietnam in developing a legal framework for e commerce, with international best
practices reflected in a draft e commerce ordinance. The E transaction Law was passed in 2005.

Improved efficiency of government services. A new IT law and Decree 64 on IT applications in government agencies which became effective in 2007 are strengthening the policy and leadership capacity of the MPT. Another decision was issued in March 2008 to have common IT standards across all government agencies. E applications have contributed to a reduction in turnaround time for government services. The response by the General Statistics Office to data request from other government agencies has reduced from about 10 days in 2006 to a week now. The time to approve procurement contract in Danang, Hanoi and Ho Chi Minh City has been reduced from 4-5 months in 2006 to 90 days now. About 15-20% of the project counterpart agency staff have been trained on ICT, up from 6-7 percent in 2006.

5. Lessons Learned

The first lesson from this ESW is the importance of a timely response. The Government's request for assistance with a broad ICT development agenda came in late 2001. The Bank was able to pick a strong team and deliver the ESW note within less than a year. This was a key factor in ensuring that the work would be relevant to the government's efforts.

Second, follow-up to the ESW through lending or nonlending activities can enhance the effectiveness of ESW. The approach of the ESW in looking at key constraints and a strategic agenda that could be implemented by the Bank or by other donors was suitable for the task and for the donor community in Vietnam. The follow-on credit enabled the government to scale-up practical steps in several areas. The TA not only assisted directly with WTO/telecommunications issues and a legal framework for e commerce but also maintained the Bank's engagement with the government on ICT policy.

6. Learn More


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