

The Provincial Competitiveness Index (PCI)

Promoting enabling business environment in Vietnam from business perspective

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PCI



10 PCI subindices



Entry Costs



Land Access



Transparency



Time Costs



Informal Charges



Policy Bias



Proactive Leadership



Business Support Services



Labor Policy



Law & Order



PCI



- Domestic and foreign enterprises consider PCI as an important support for making informed decisions in business location and expansion.
- Local government leaders use PCI as a success measure of reform programs on economic governance, as well as to identify the experiences, good practices from other provinces to apply to their owns.
- Elected representatives can use PCI to monitor the performance of the provincial governments (People's Committee and departments) in improving the business environment.
- Business associations can use PCI to engage in business dialogues, policy recommendations for local governments to improve the business environment.



- Central policy makers refer to PCI indicators as criteria for evaluating economic reform policies.
- Reporters can quote PCI to illustrate the articles analyzing evaluating issues at the provinces.
- Some development organizations also use PCI to identify and evaluate the effectiveness of their assistance programs in Vietnam.
- Researchers, scholars from around the world exploit the PCI Data for researches and scientific analyses.



Direct benefits PCI brings



Empower private sector



Drive change in governance



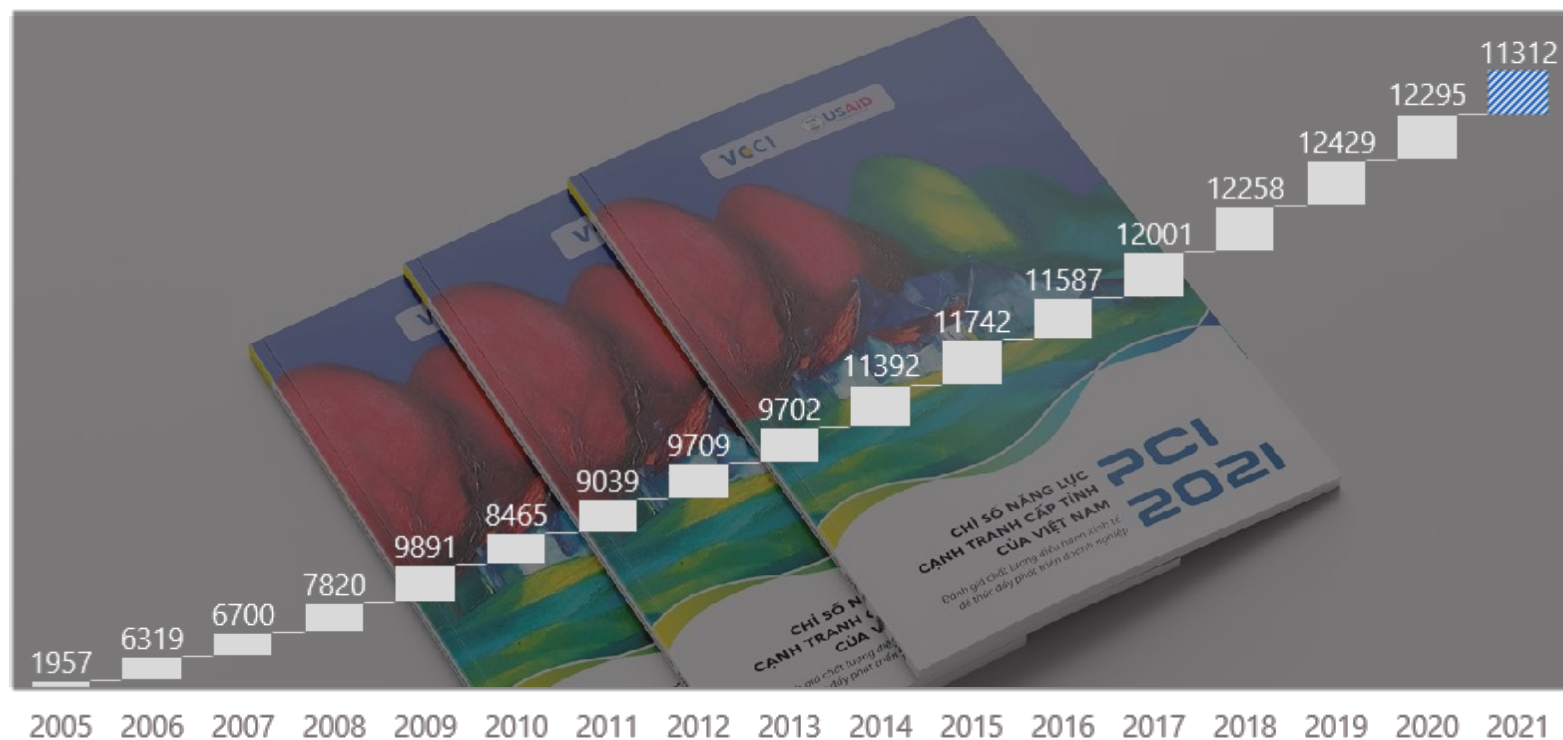
Promote reforms from bottom up



Enhance local governments' proactivity

Promote proactivity and innovation at provincial level, shape reform models from bottom up

Number of responses from PCI 2005 to PCI 2021



164,624

Firm Responses

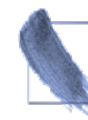
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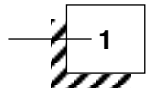
Annual Reports

3 million

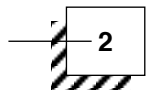
PCI Website Visits

PCI

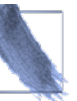
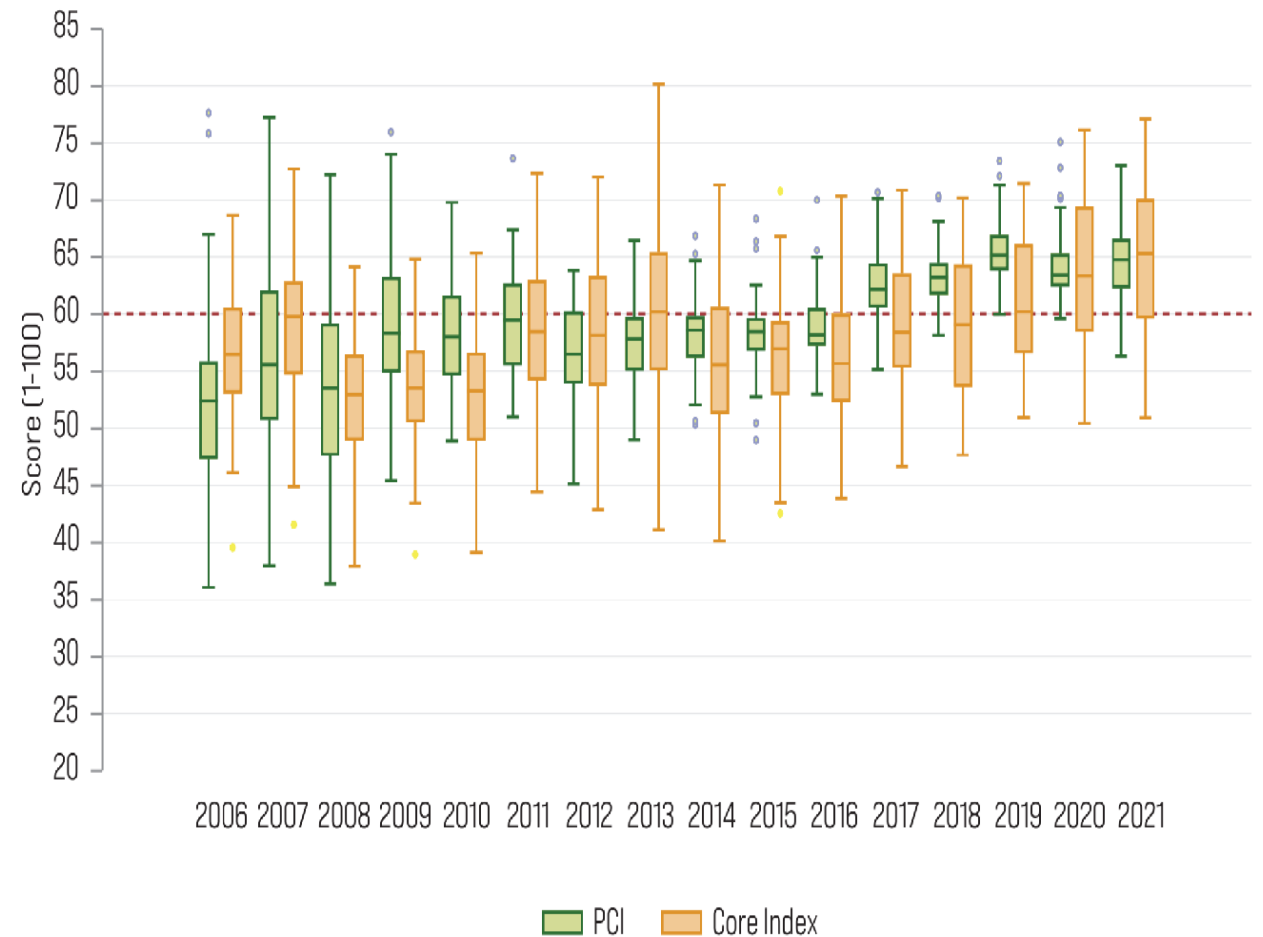




The median province scores above 60 points on the 100-point scale for the fifth year in a row (2017-2021)



The gap between the best and worst performing provinces is narrowing in both the aggregate and core PCI.





Resolutions 19 (2014-2018)

Key tasks and solutions to improve business environment and national competitiveness



Resolution 35 (2016)

Regarding business support and development until 2020



Resolutions 02 (2019-2022)

Key tasks and solutions to improve business environment and national competitiveness



Resolution 139 (2018)

Promulgating action program to reduce business costs for firms



Decision 288 (2022)

Frame for evaluation of implementation of socioeconomic development goals

63/63

Provinces enacted PCI improvement action plans

550

Workshops about PCI organized by provinces

46

Provincial Party Congress documents for the term 2021-2025 set PCI a key task

> 1,500

Central and local legal documents employed PCI scores

> 70,000

Cadres and local leaders at PCI diagnostic workshops

> 500

Provincial People's Councils' resolutions and documents set PCI on the monitoring and debate agenda

The PCI inspires many administrative procedure reform initiatives which are replicated in many provinces: **DDCI, Coffee with Entrepreneurs, Business Doctor, Investor Care...**



Infrastructure Development

Foreign borrowing or private sector investment?



FDI Selection

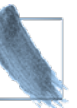
decided by subnational governments



Public Procurement

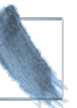


Environment and Climate Change





- Accountability of government agencies
- Public policy and regulations; quality of public service
- Bias to SOEs and FDI, not the development of the domestic private sectors.
- Micro, Small and Medium Enterprises: Low voice!
- Decentralization without proper monitoring and assessment mechanisms.
-

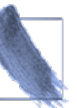
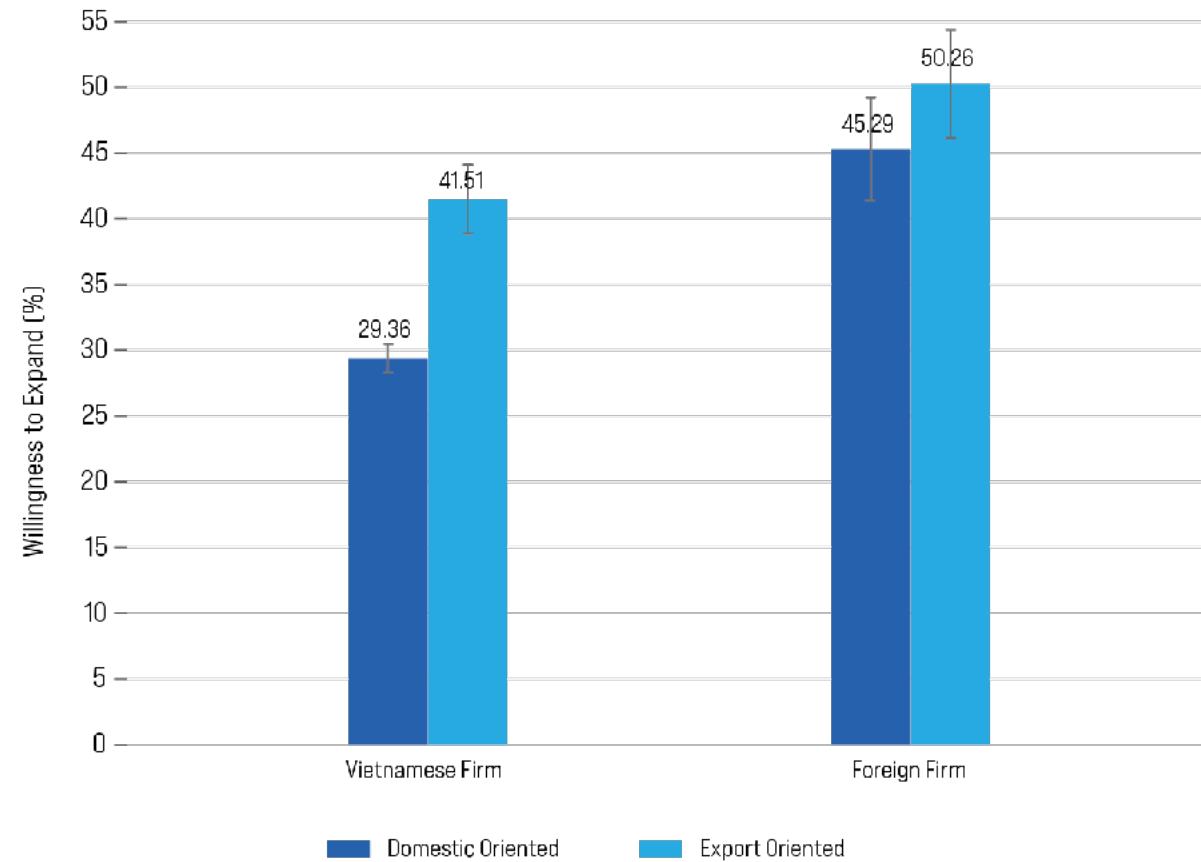


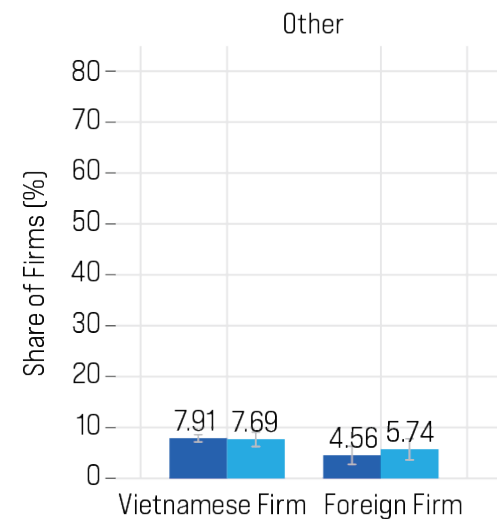
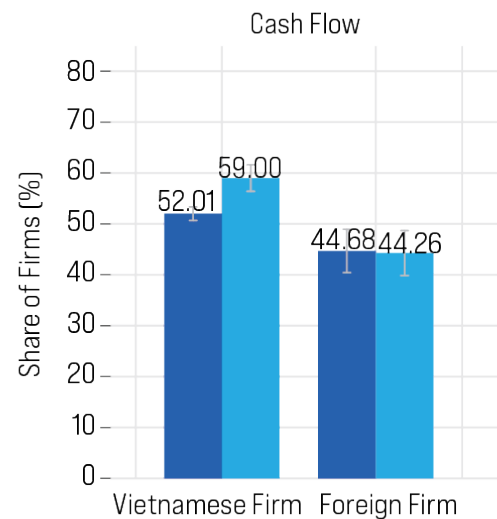
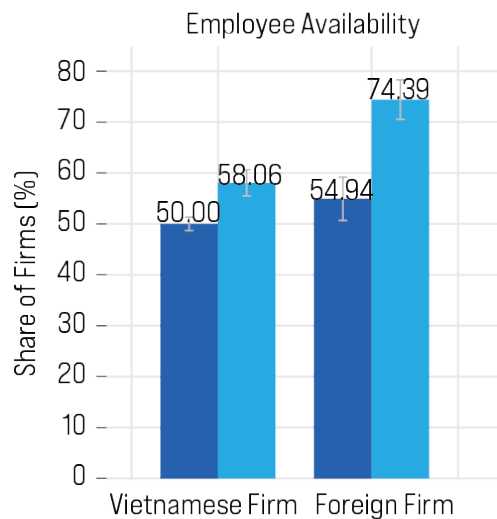
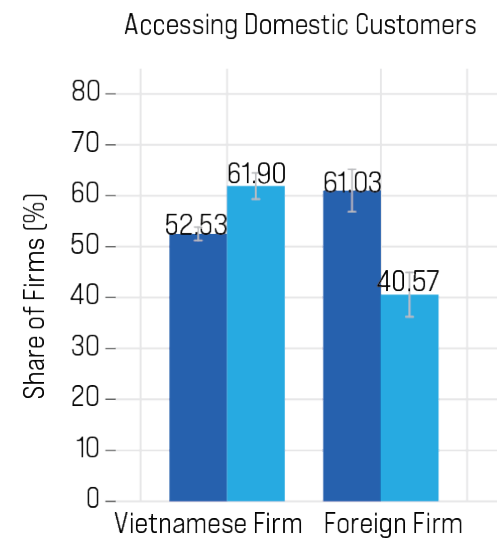
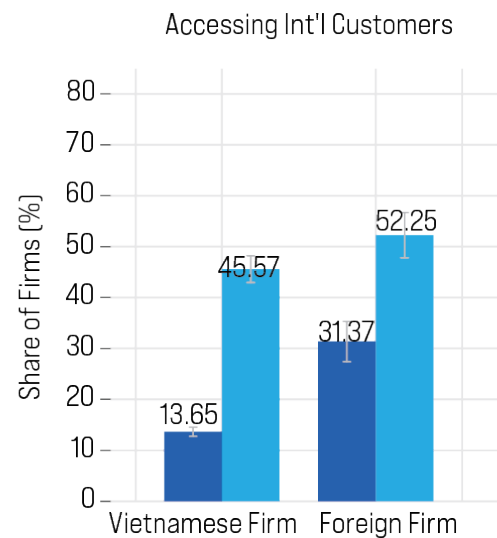
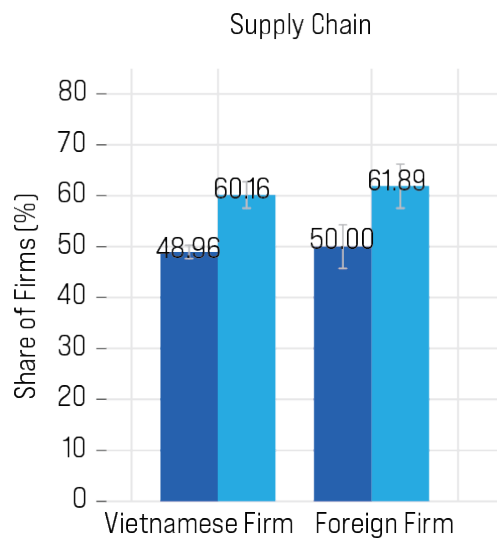
Investors Vary Dramatically by Size and Performance

Origin	Orientation	Number of PCI Respondents	Number of Workers	Equity Capital (Billions of VND)	Total Revenue (Billions of VND)	Years since Establishment
Vietnamese	Domestic	6,658	15.0 (11.6 - 18.4)	7.5 (5.8 - 9.2)	20.2 (17.8 - 22.7)	9.4 (9.3 - 9.6)
Vietnamese	Export	1,378	61.5 (54.1 - 68.9)	25.3 (21.6 - 28.9)	51.5 (46.6 - 56.3)	10.5 (10.1 - 10.9)
Foreign	Domestic	616	65.9 (54.6 - 77.1)	45.0 (39.4 - 50.6)	60.4 (52.9 - 67.9)	7.9 (7.4 - 8.5)
Foreign	Export	569	144.5 (133.0 - 156.0)	64.1 (58.5 - 69.8)	83.3 (75.8 - 90.8)	9.0 (8.5 - 9.6)

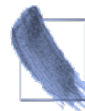
Source: PCI and PCI FDI Survey 2021. Average by category displayed with 95 percent confidence interval in parentheses. Vietnamese firms are classified as those that answered the PCI domestic survey, Foreign firms are those that answered the PCI-FDI survey. Export orientation derived from Question A11 "Please choose the main customers of your firm." Firms that answered "individuals and firms located outside Vietnam" classified as export-oriented, all others classified as domestic oriented. Number of workers in 2020 from Question A6.2, Equity capital in 2020 from Question A7.2, Total revenue in 2020 from Question 8.1, Years since establishment calculated by subtracting Question A1 (Establishment year) from 2022.

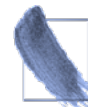
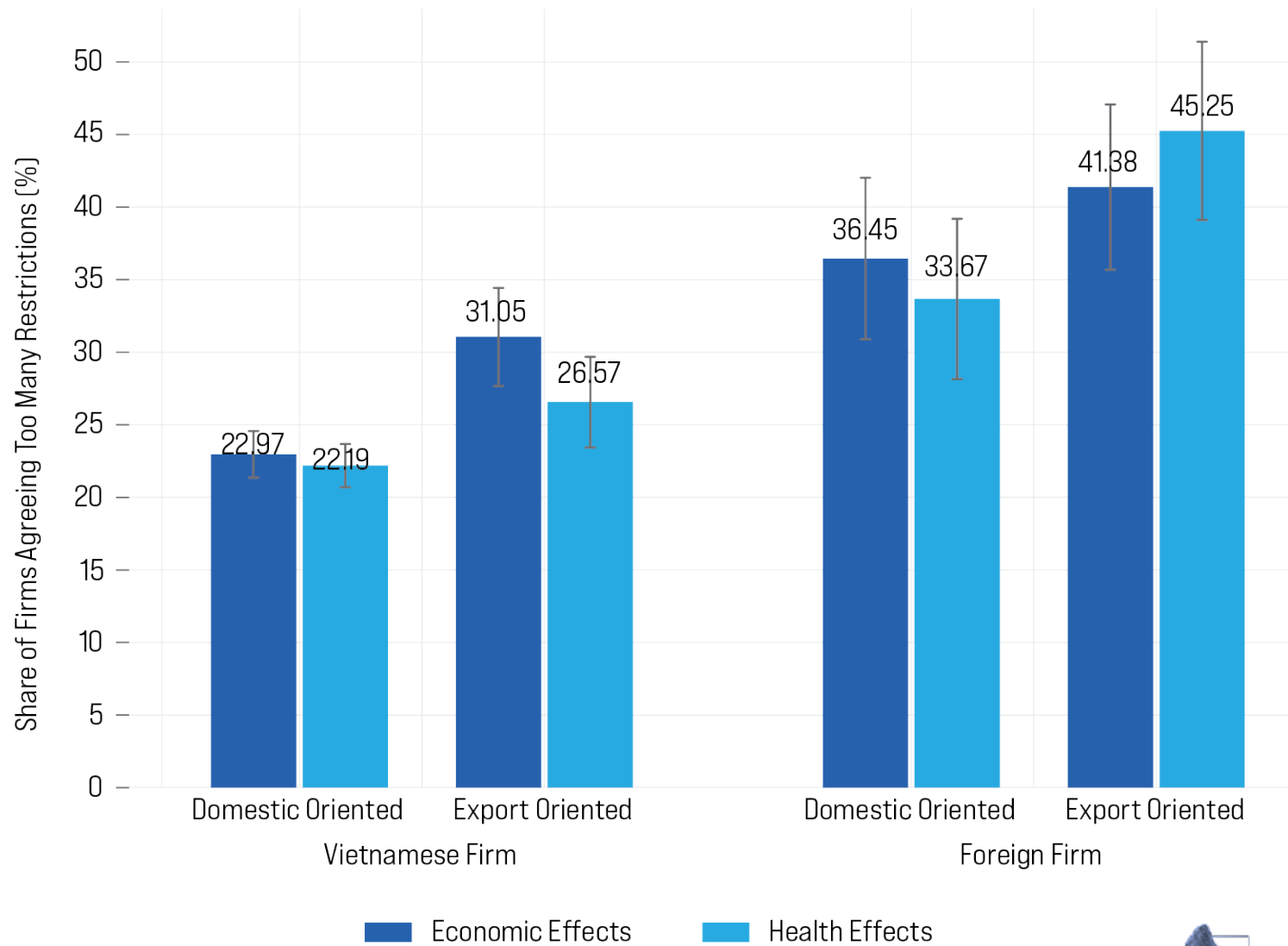
PCI Thermometer by Business Type

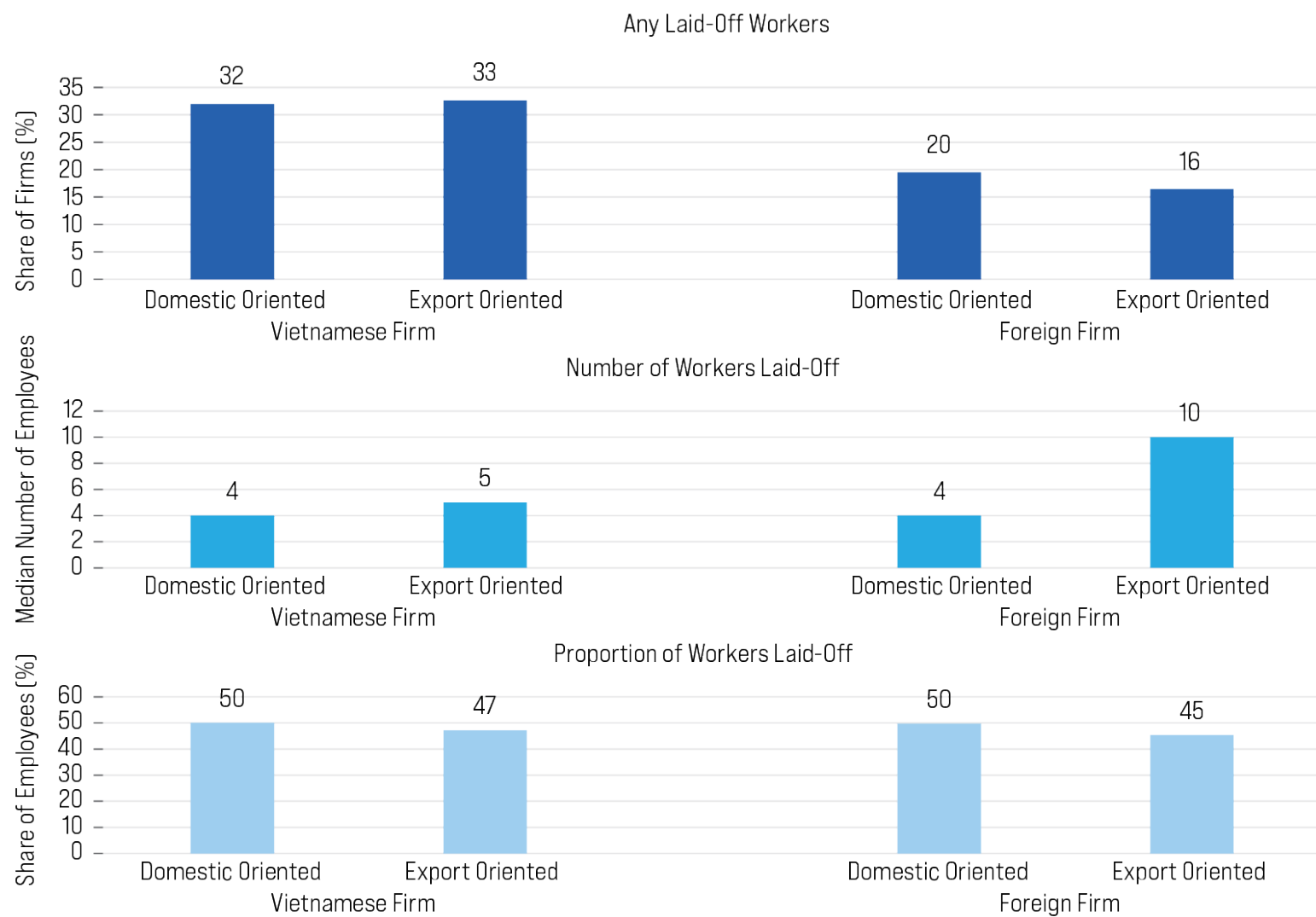


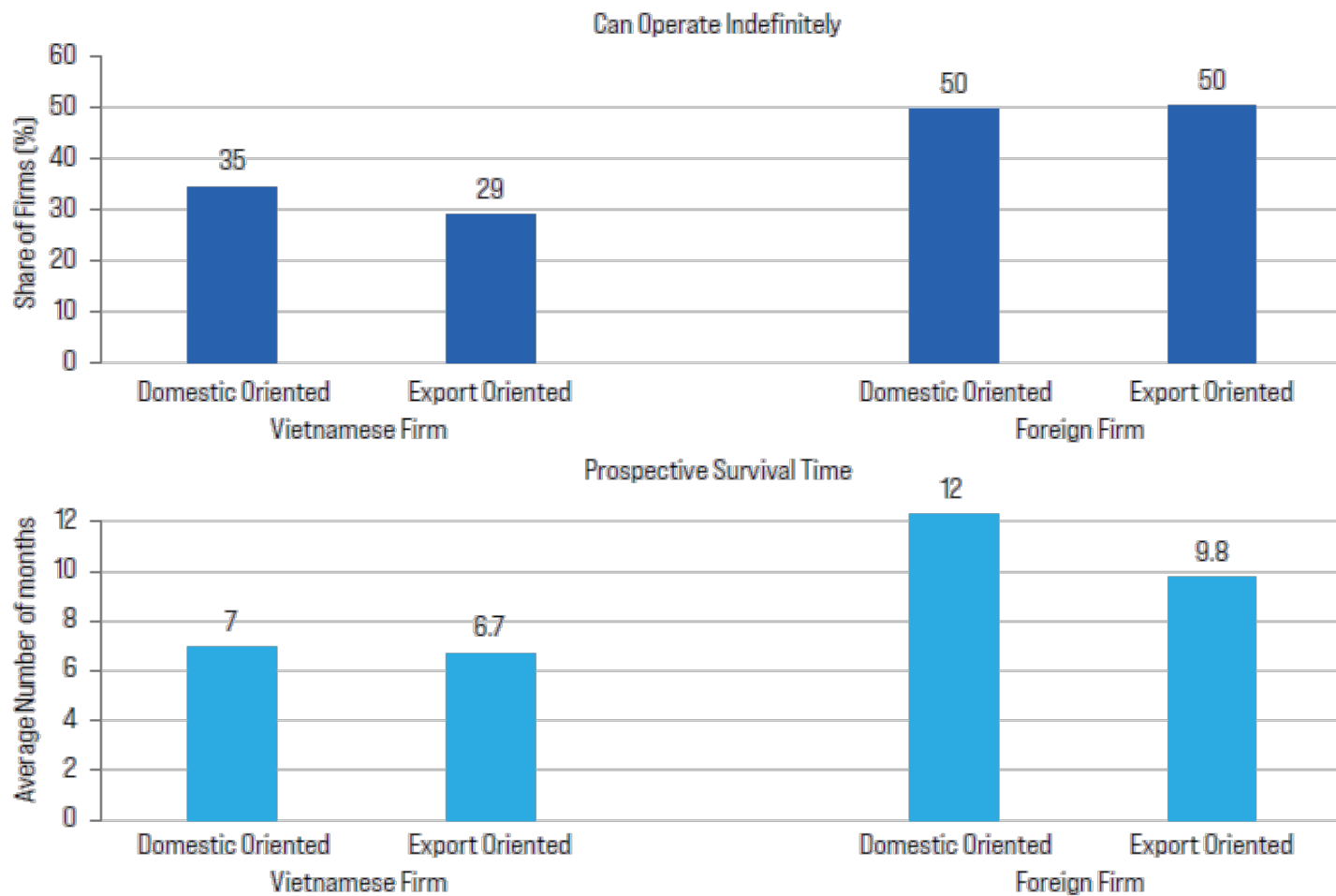


■ Domestic Oriented ■ Export Oriented

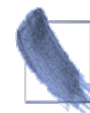




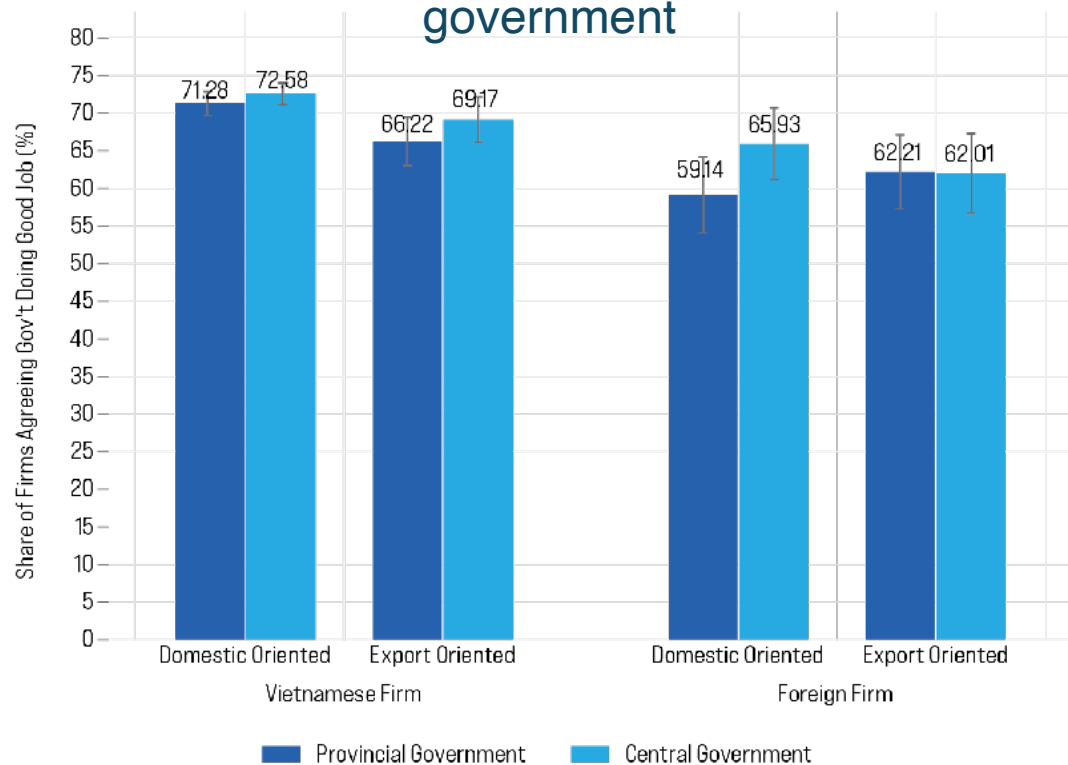




Source: PCI and PCI FDI Survey 2021. Both questions derived from Question J3.4 "Given your current business approach, how much longer do you think your business can maintain operations if the current government policies of support, temporary lockdowns, and vaccination plans continue? _____Months _____Indefinitely." The upper panel presents the share of firms responding that they are positioned to survive indefinitely. The lower panel records the average survival time reported by firms that cannot survive indefinitely.

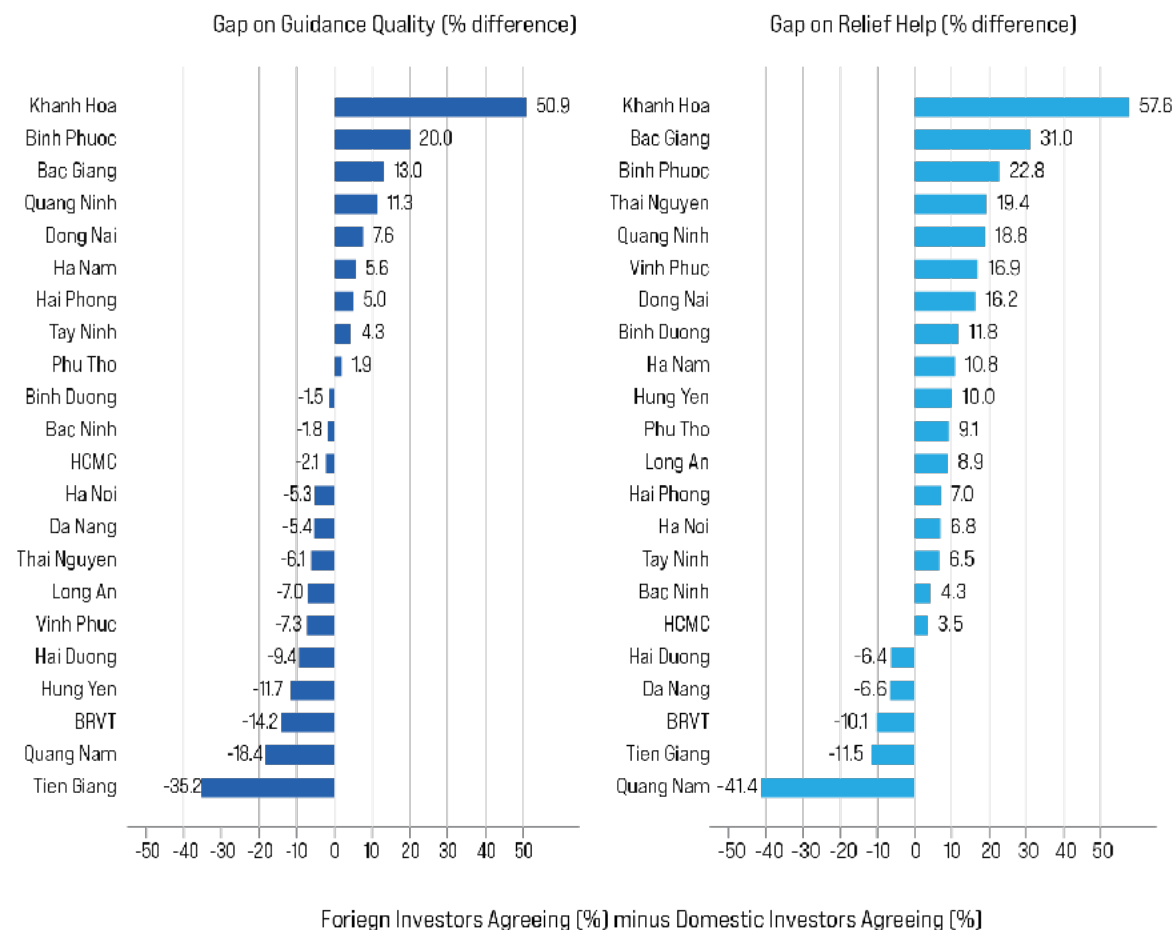


Local governments faulted more than central government

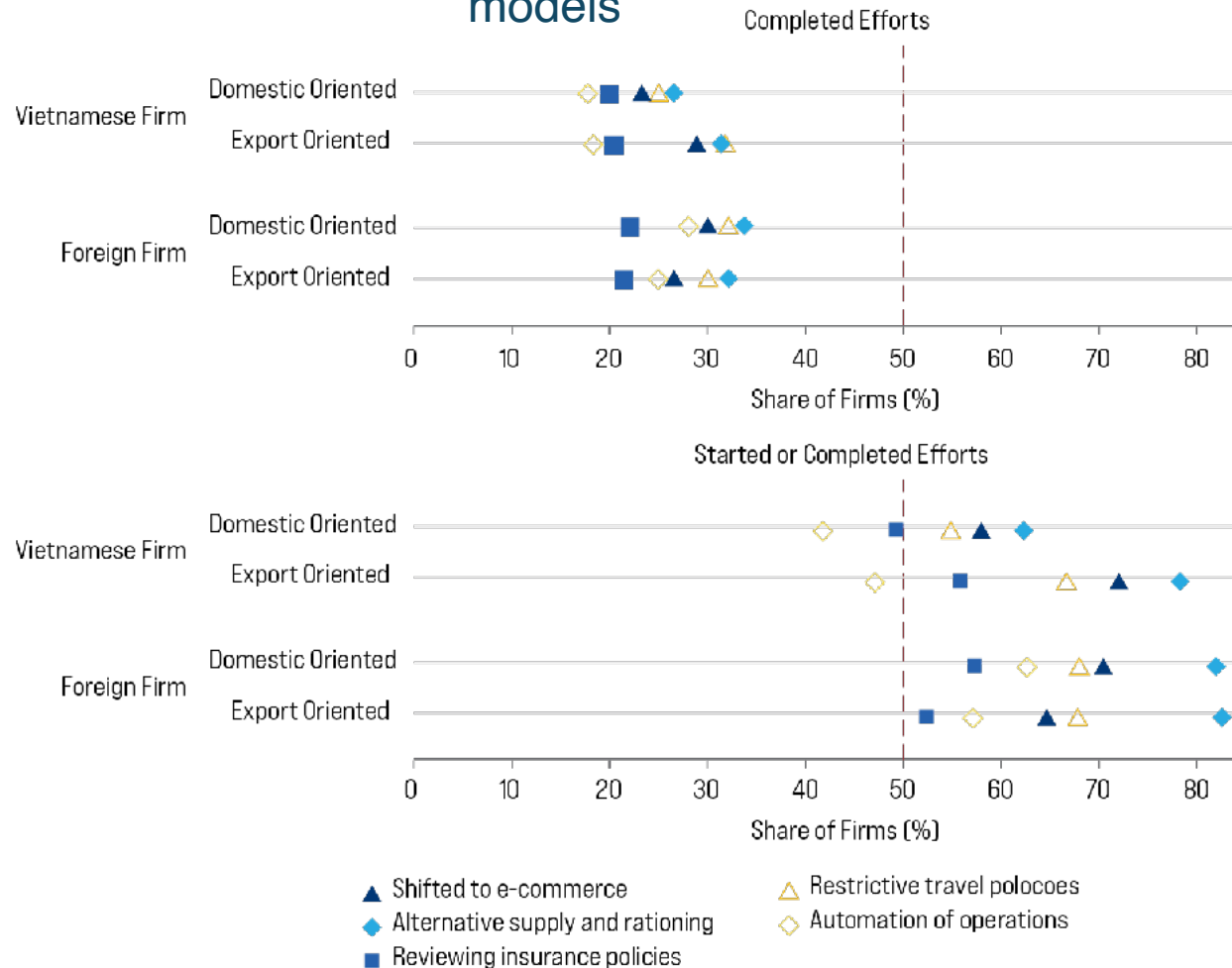


Source: PCI and PCI FDI Survey 2021. Evaluation of provincial and central governments derived from questions J7 "Overall, would you say the reaction of [(A) the Government// (B) local governments] to the coronavirus outbreak has been to date?" 50 percent of respondents were assigned to Form A and 50 percent were assigned to Form B. Firms were invited to respond on a five-point scale: 5) Very good; 2) Somewhat good; 3) Neither good of bad; 2) Somewhat bad; and 1) Bad. We present the share answering Very good or Somewhat good.

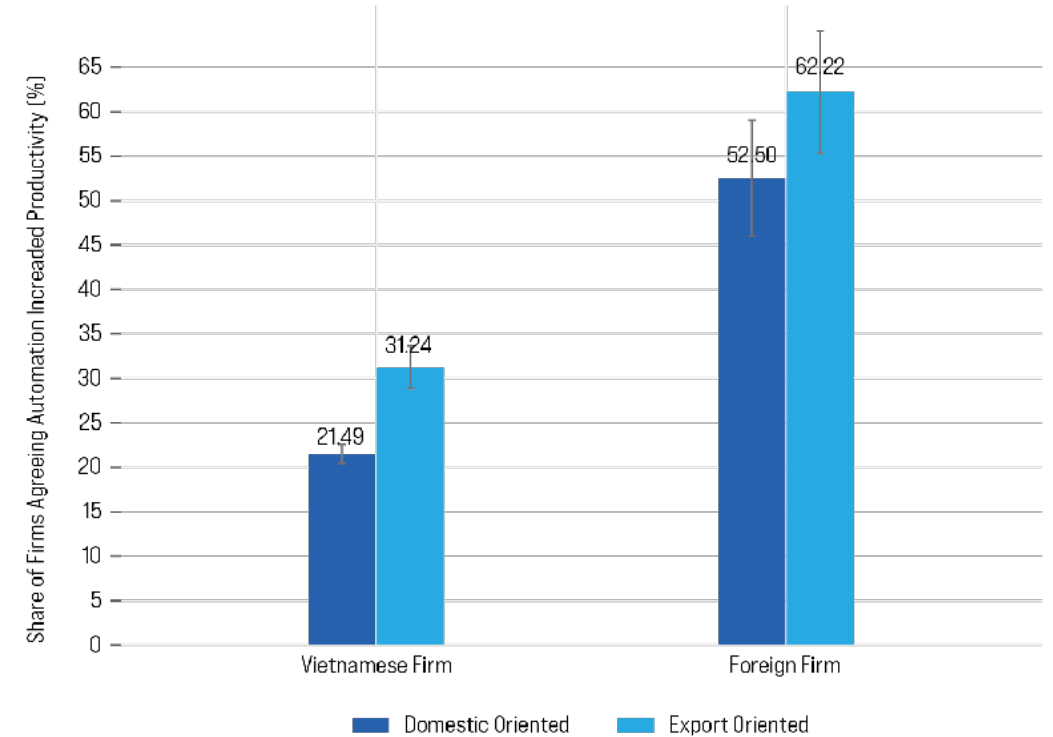
Wide Variance in Treatment of Foreign versus Domestic Investors by Provinces



Many firms started but few firms altered business models



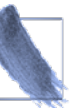
Foreign Investors more likely to use and benefit from automation



Source: PCI and PCI FDI Survey 2021. Productivity calculations derived from Question J4.5 "Did investment in digitalization or automation improve your firm's productivity measured by output per worker?" We present the share of firms who employed digital technology that answered yes.

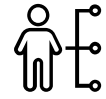


1. **Domestic-facing Vietnamese firms** are hurting and are in urgent need of support. Tax policies less helpful than planned. Directs subsidies, guaranteed loans and labor support programs are urgently needed. Support with transitioning to e-commerce would pay dividends.
2. **Export-oriented Vietnamese firms** need less immediate support but could benefit from greater assistance subsidizing medium-term adjustments to international supply chains either through sales to foreign buyers in Vietnam or to external buyers. Assistance needed with adoption of automated technology.
3. **Foreign firms** have greater resources to draw upon, but require safe international opening through less restrictive entry policies for tourists and business travelers, while still maintaining requirements for vaccines and rapid testing.
4. **Export-oriented foreign firms** need less restrictive lockdowns and regulations, especially in the industrial clusters where these businesses operate.
5. Benefits will be gained from policies facilitating the movement of **migrant labor** into industrial locations, including safer housing and support for providing essential medical and other services





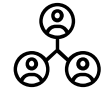
And benefits over fundamental areas



Promote **decentralization** to subnational level and proactivity



Improve **policy implementation**



Increase **private sector role**



Promote **anti-corruption, transparency, and accountability**



Promote government **monitoring** mechanisms



Represent the **people's voice**: election, satisfaction ratings



Inform monitoring by people elected agencies



Catalyze **media pressure** for reform

PCI in numbers

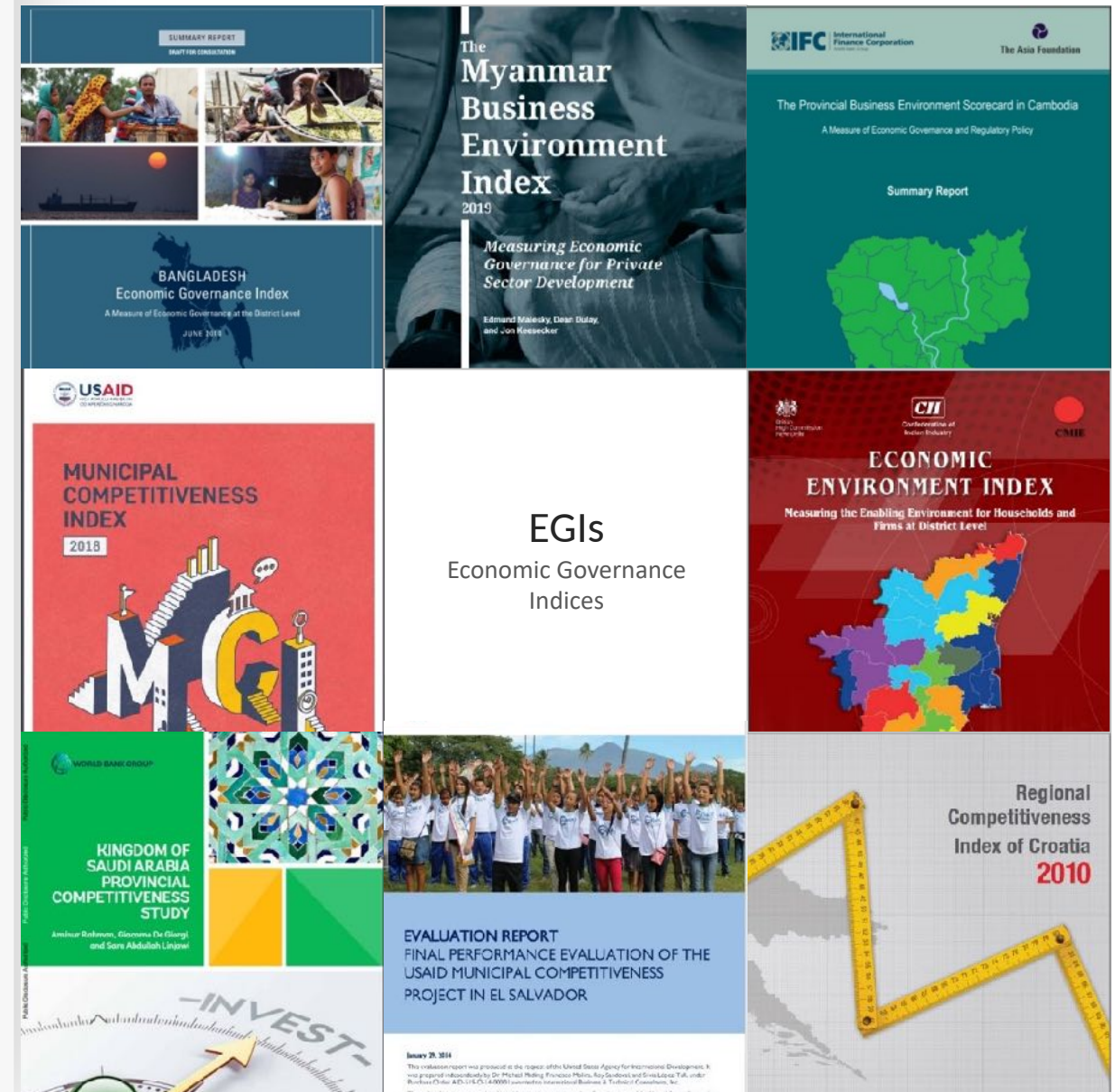
16 countries put in place a PCI-like index

200 domestic and foreign research works referenced PCI findings

3-8 daily news/articles mentioning about PCI in local and national media



The impacts of PCI



Thank you!



**THE PROVINCIAL COMPETITIVENESS INDEX
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