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# Provincial Competitiveness Index PCI 2009

Trần Hữu Huỳnh



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# Organization of the presentation

- Results of PCI 2009
- Highlights in Vietnam's business environment from firms' responses in PCI 2009 survey
- PCI and Project 30



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## What does PCI measure?

- Actual provincial economic governance:
  - Through perception of local active firms, not through showcased provincial plans, policies or projections.
- Governance quality, not economic growth:
  - PCI allows comparing provinces on a relatively equal basis despite different growth.
- Policies authorized by provincial authorities.
- Best governance practices already found in Vietnam, not notion of good governance.



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# PCI 2009 Survey

**Collective voice of 9,890 private enterprises in 63 provinces**

Assesses and ranks provinces by their economic governance in developing business-friendly regulatory environments for private sector development in 9 different areas.

## **9 governance areas:**

1. Entry costs
2. Land access
3. Transparency
4. Time costs
5. Informal charges
6. Pro-activity
7. Business support services
8. Labor Training
9. Legal institutions



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# PCI 2009 Results



## The most crucial governance indicators in PCI 2009

- **Transparency**
  - A one point improvement in Transparency is associated with a 13 percent improvement in enterprises per 1,000 citizens, a 17 percent improvement in investment per capita, and a 62 million VND increase in firm profitability.
- **Labor quality**
  - A one point improvement in the Labor Training index is associated with 30 percent improvement in the number of enterprises per 1,000 citizens, a 47 percent increase in investment per capita.

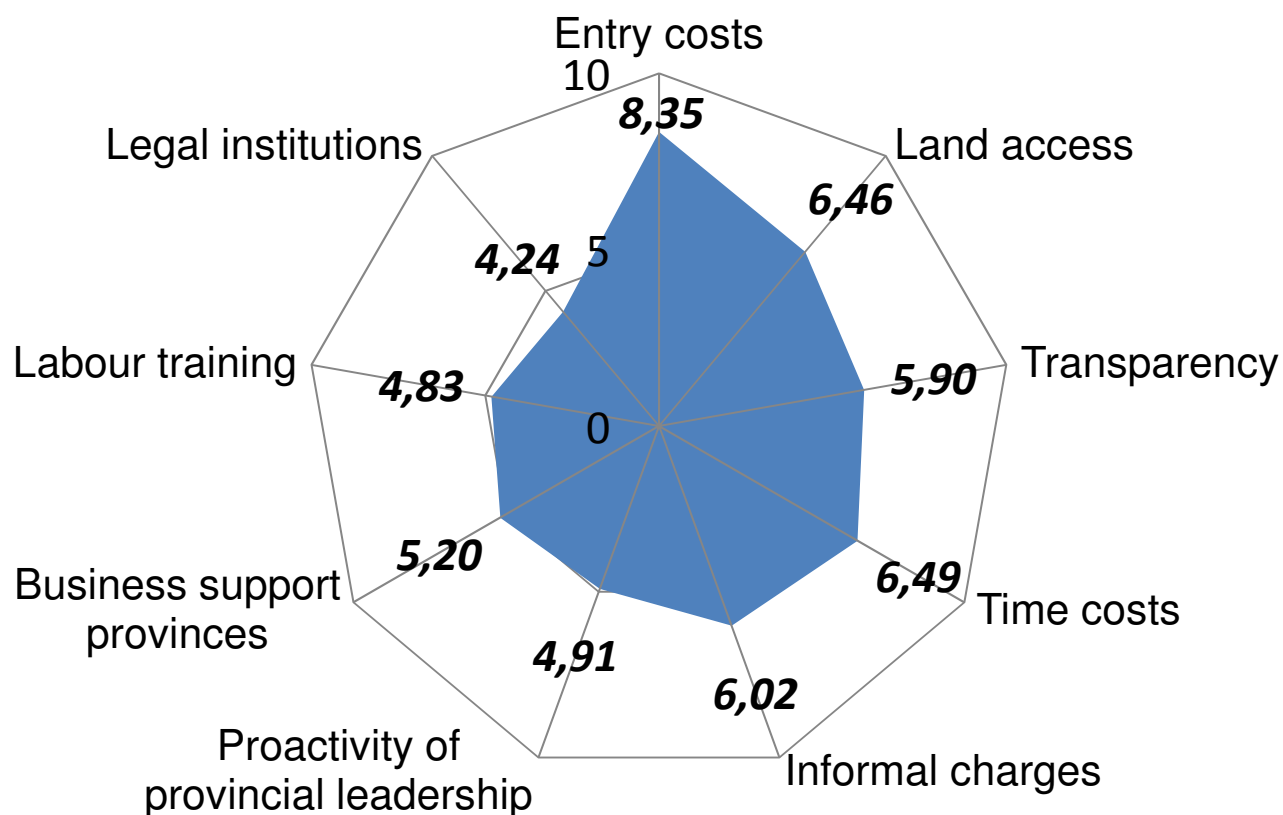


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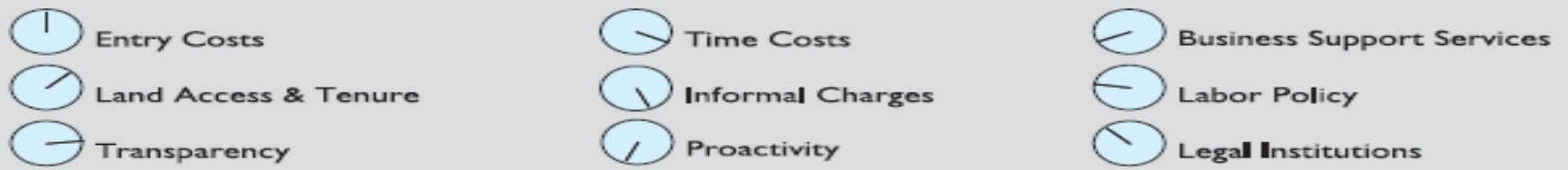
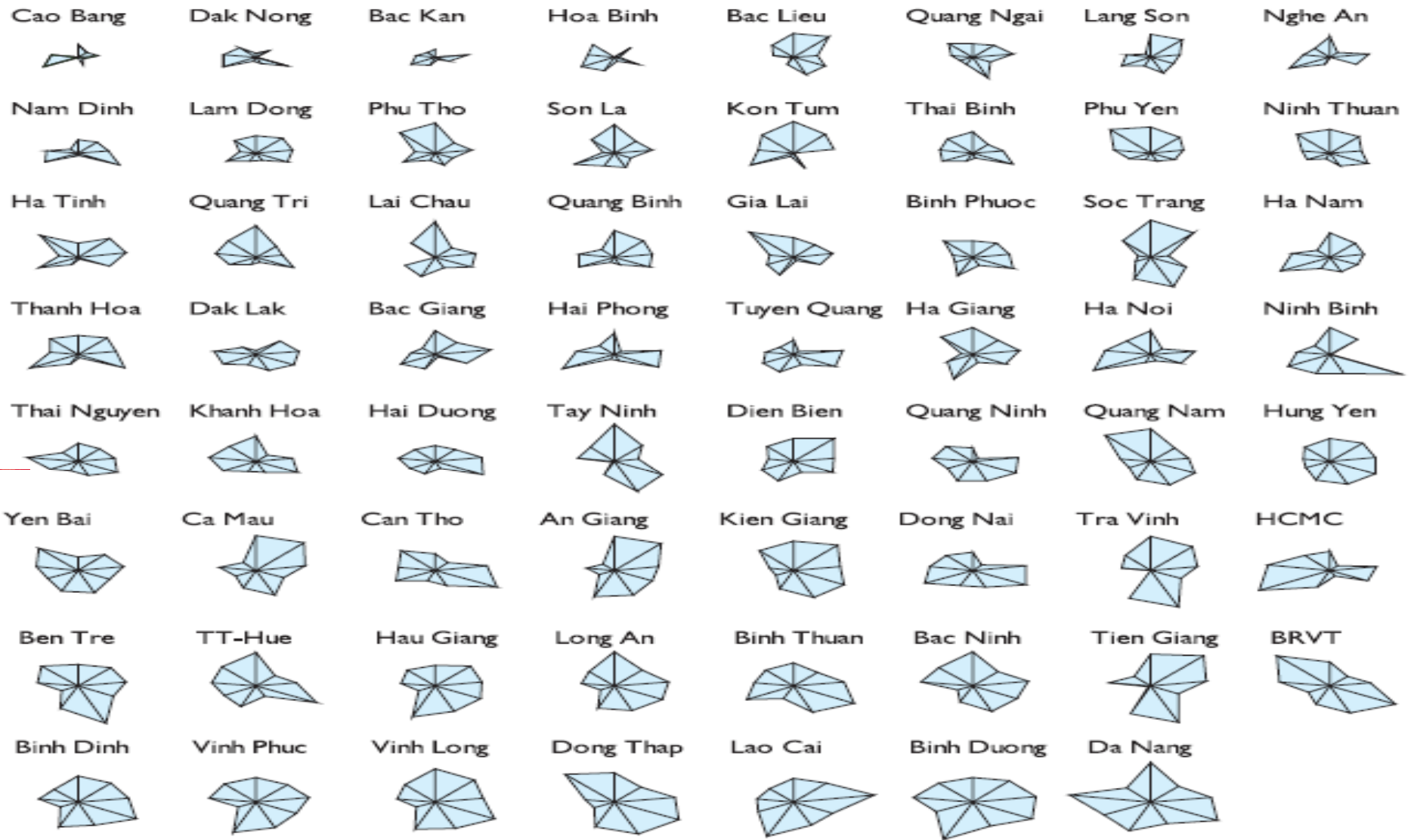
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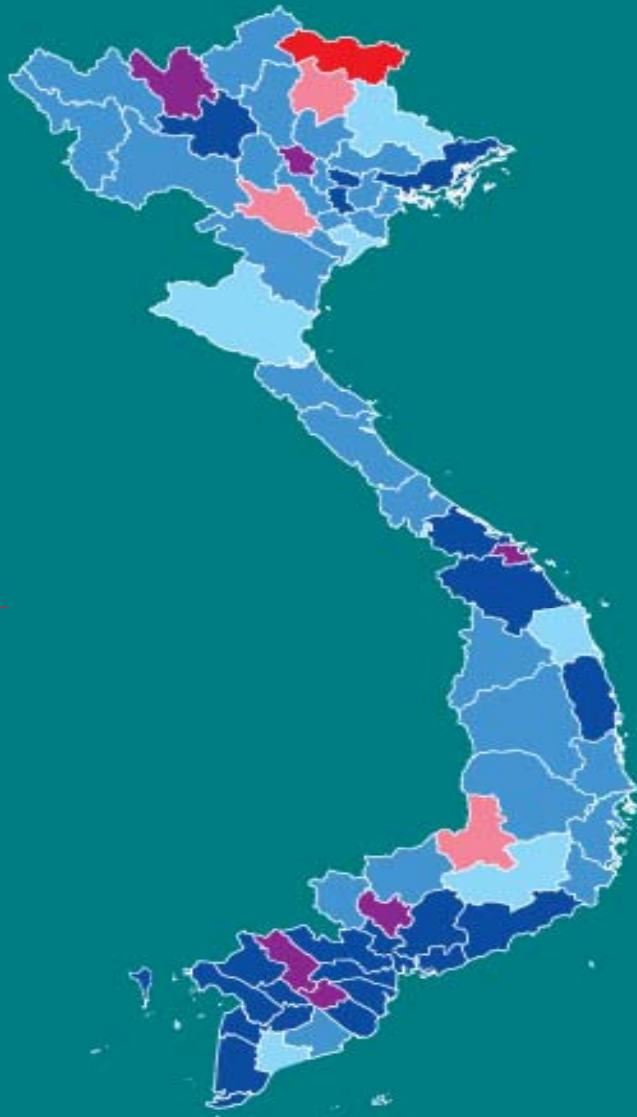
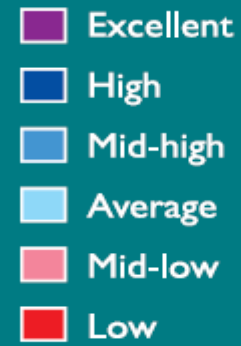
## PCI 2009, Median province



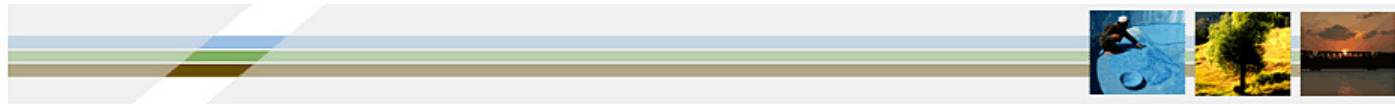
# PCI 2009 star graph



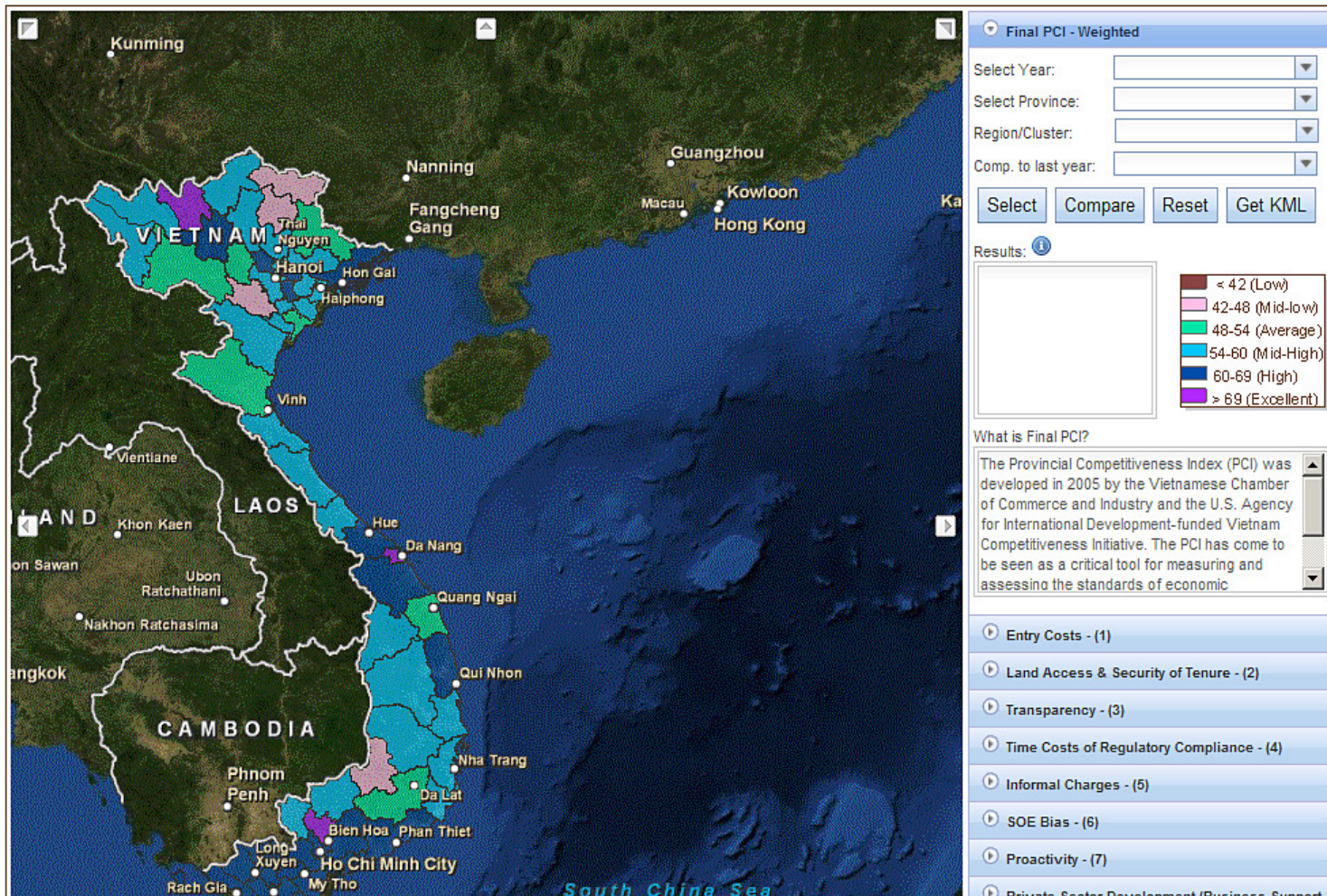
# PCI 2009 Map

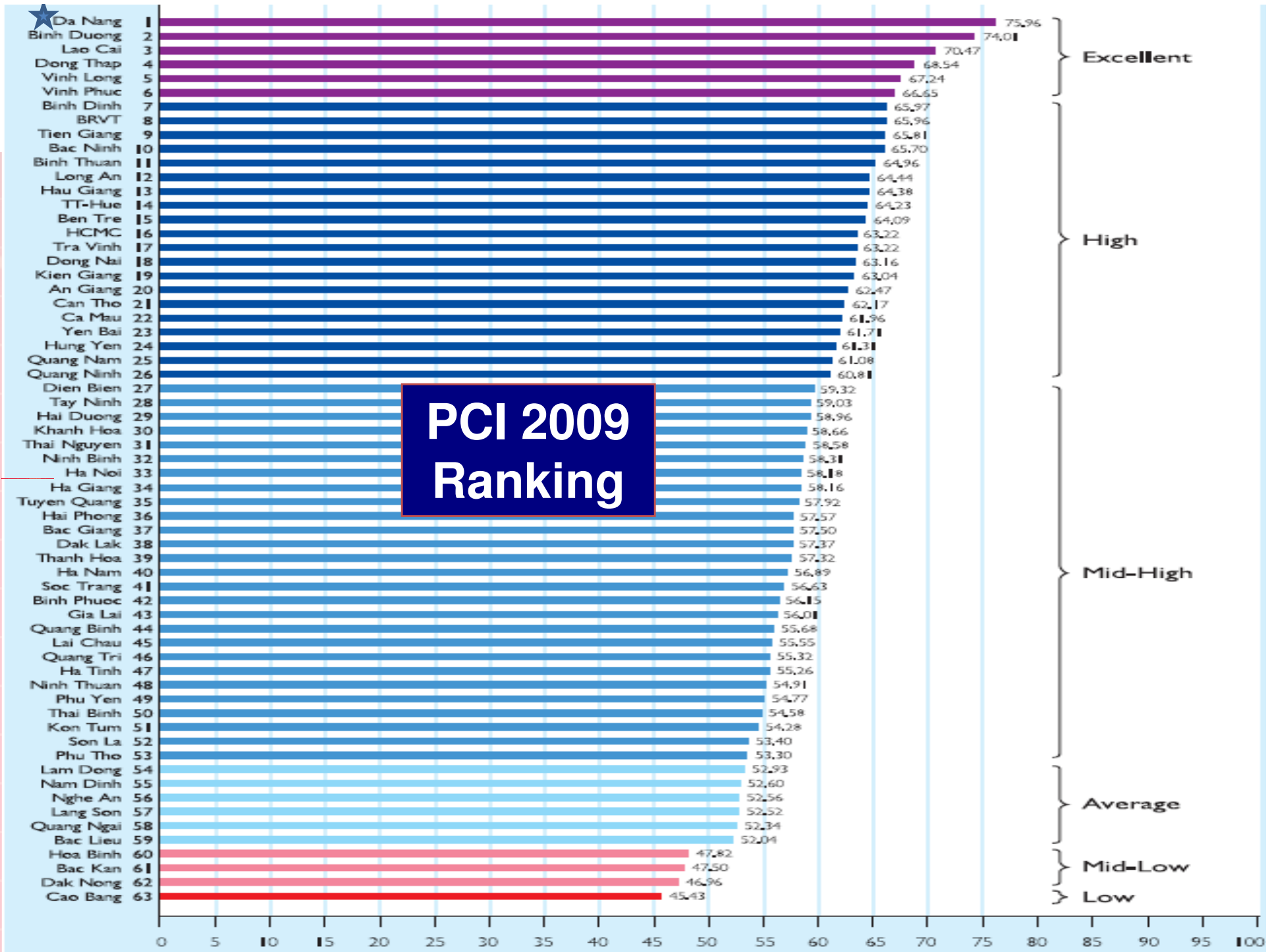


# GIS PCI map at [www.pcivietnam.org/map](http://www.pcivietnam.org/map)



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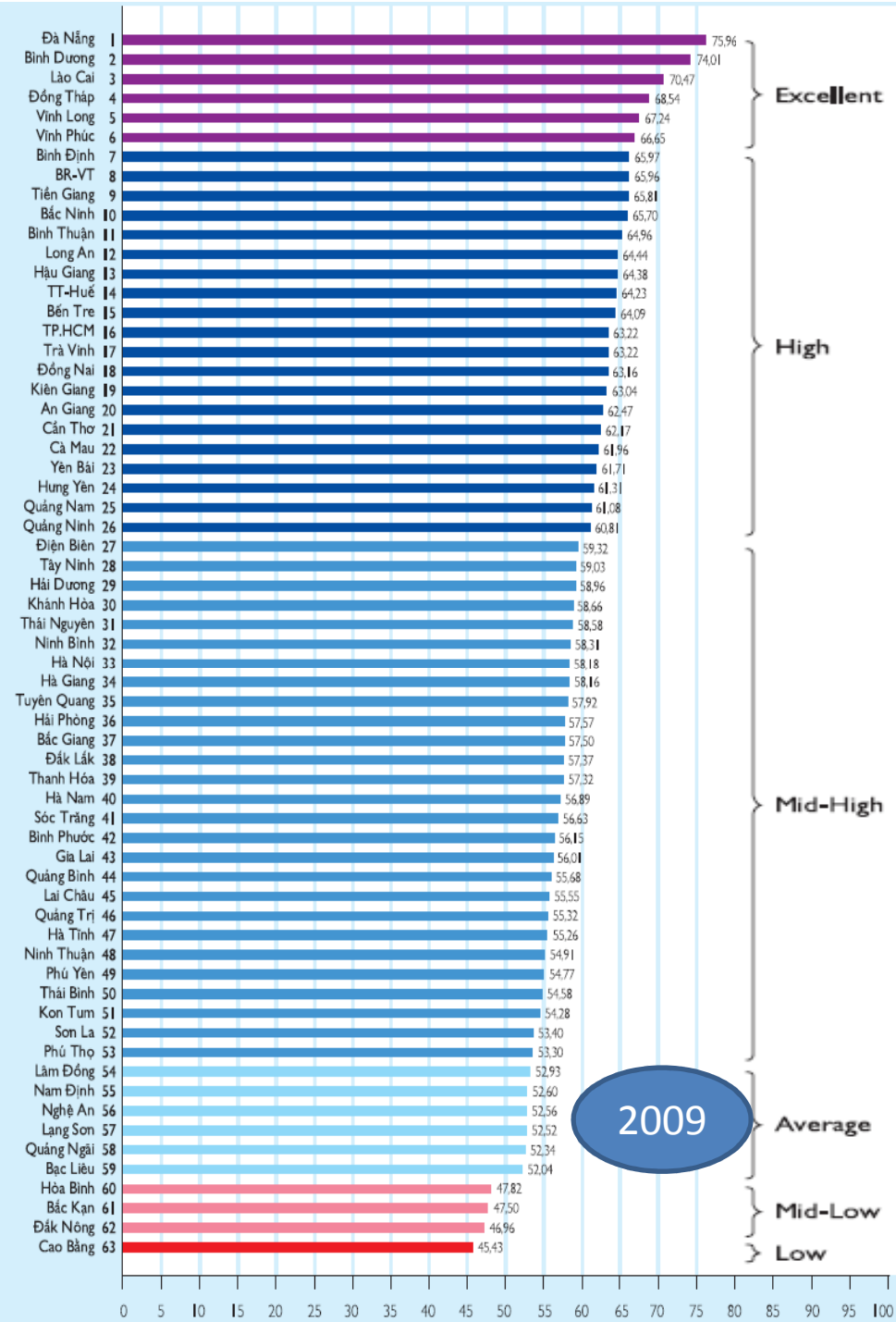
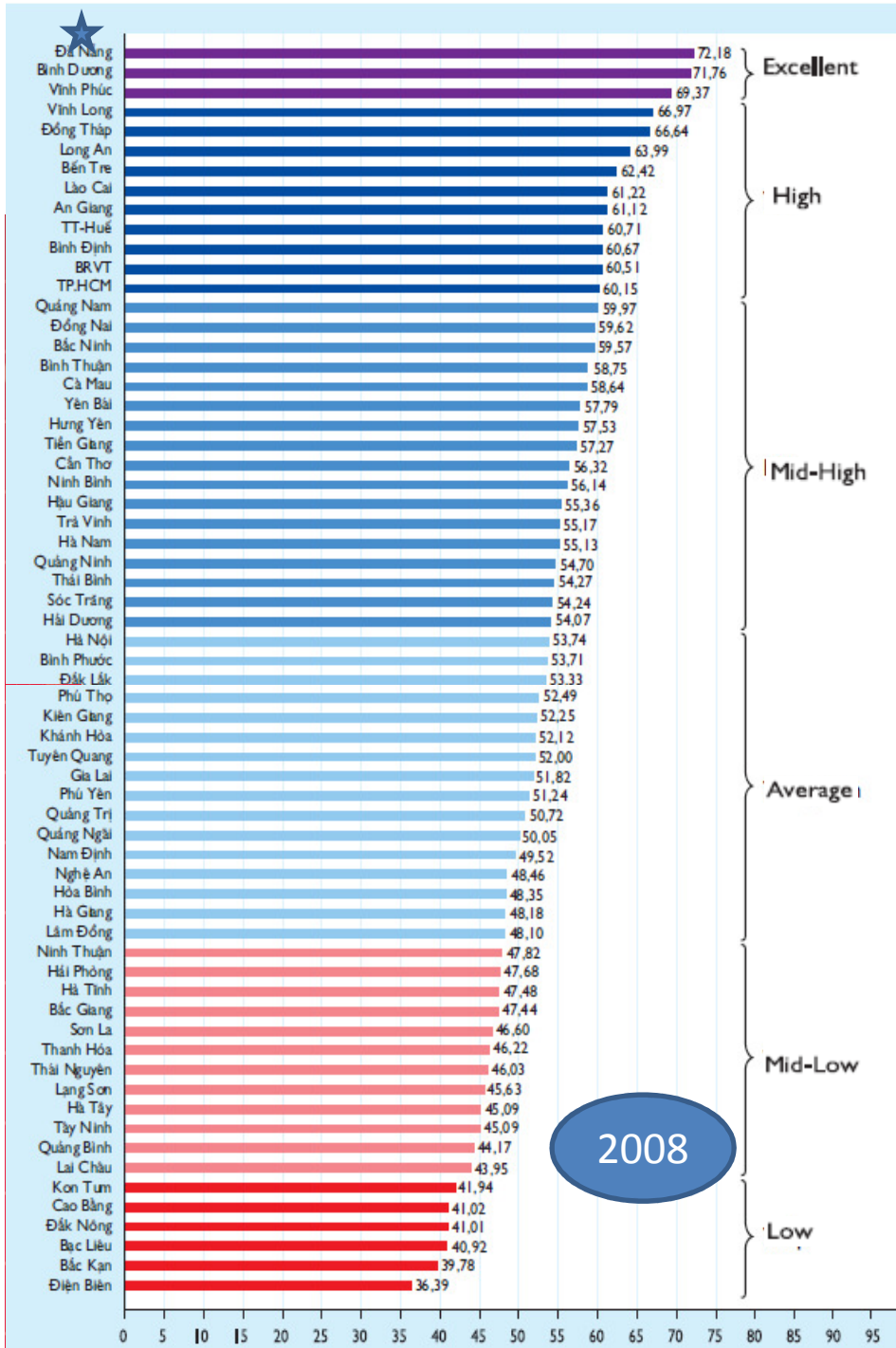
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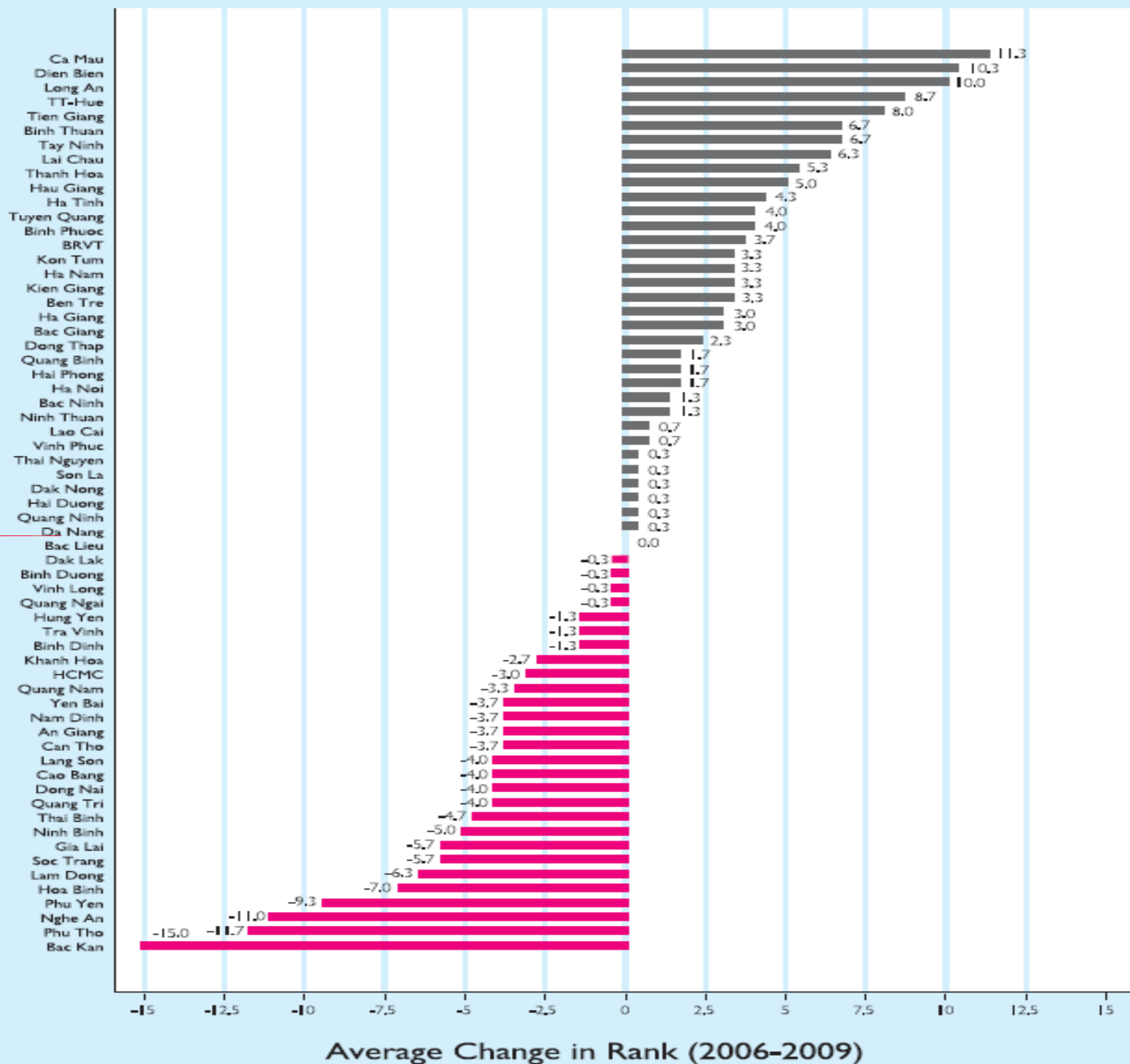
## Key trends on National economic governance

- Improvement in overall governance quality
  - More provinces in the Excellent, High and Mid-high tiers
  - Significant drop in number of provinces in Average, Mid-low and Low tiers (down from 34 provinces to 10)
- Improved governance areas from 2008
  - Entry costs, Land access, Time costs, Labor training, and Legal institutions
- Areas with evidence of decline
  - Transparency, Informal charges, and Proactivity



# Review of Governance Reform

**PCI 2006  
– 2009**





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## Top performing provinces in PCI 2009 by sub-indices

Sub-index	Province	Score
Entry costs	Da Nang	9.52
Land access	Tien Giang	8.84
Transparency	Lao Cai	8.68
Time costs	Ninh Binh	8.93
Informal charges	Ben Tre	8.15
Proactivity	Binh Duong	9.39
Business support services	HCMC	8.55
Labour training	Da Nang	7.69
Legal institutions	Ba Ria – Vung Tau	6.21



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## Provinces with lowest scores in PCI 2009 by sub-indices

Sub-index	Province	Score
Entry costs	Hoa Binh	6.53
Land access	Bac Kan	4.28
Transparency	Đak Nong	3.01
Time costs	Kon Tum	3.68
Informal charges	Nghe An	4.63
Proactivity	Cao Bang	1.87
Business support services	Tra Vinh	2.85
Labour training	Lai Chau	2.82
Legal institutions	Bac Kan	2.87



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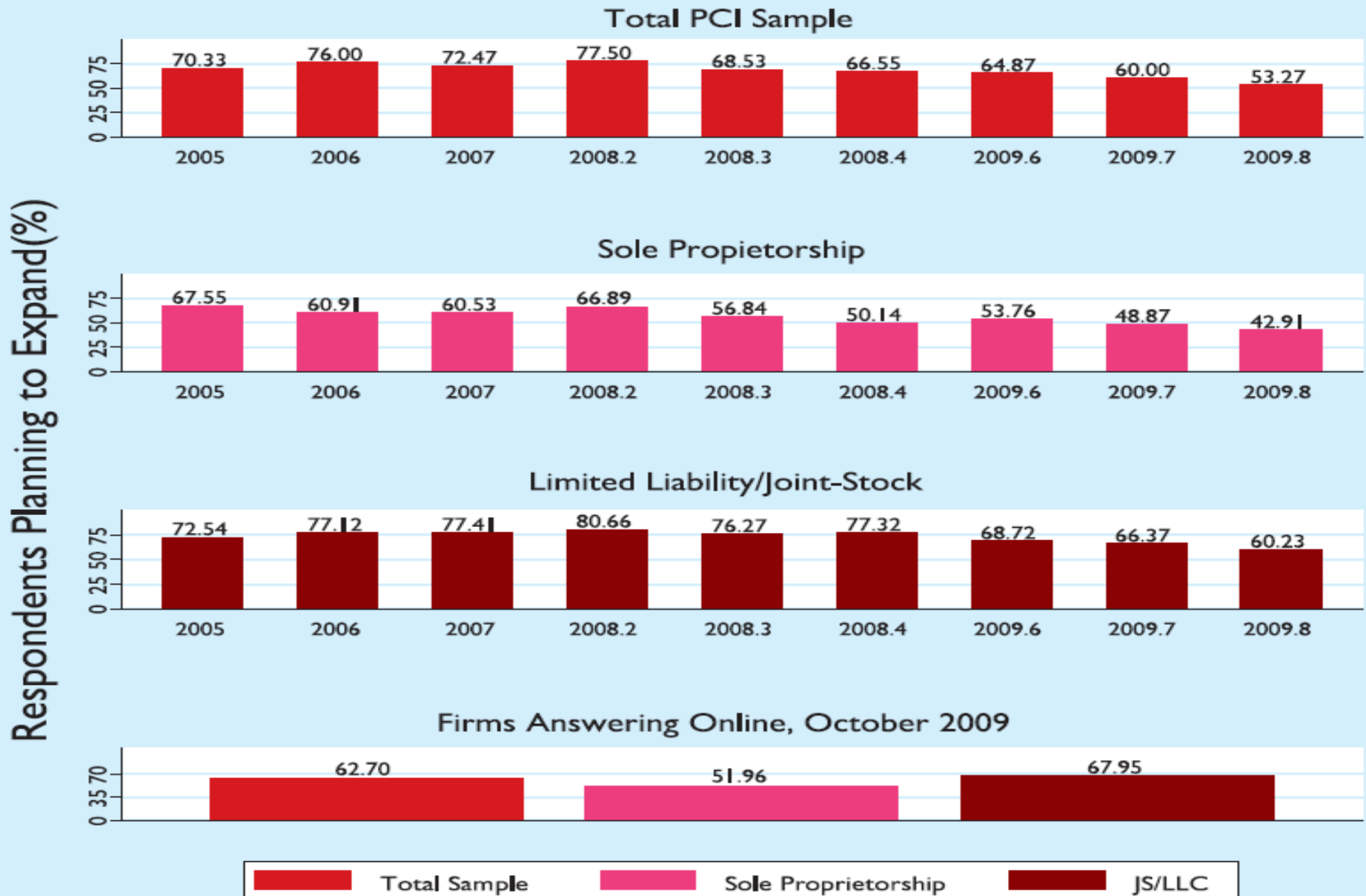
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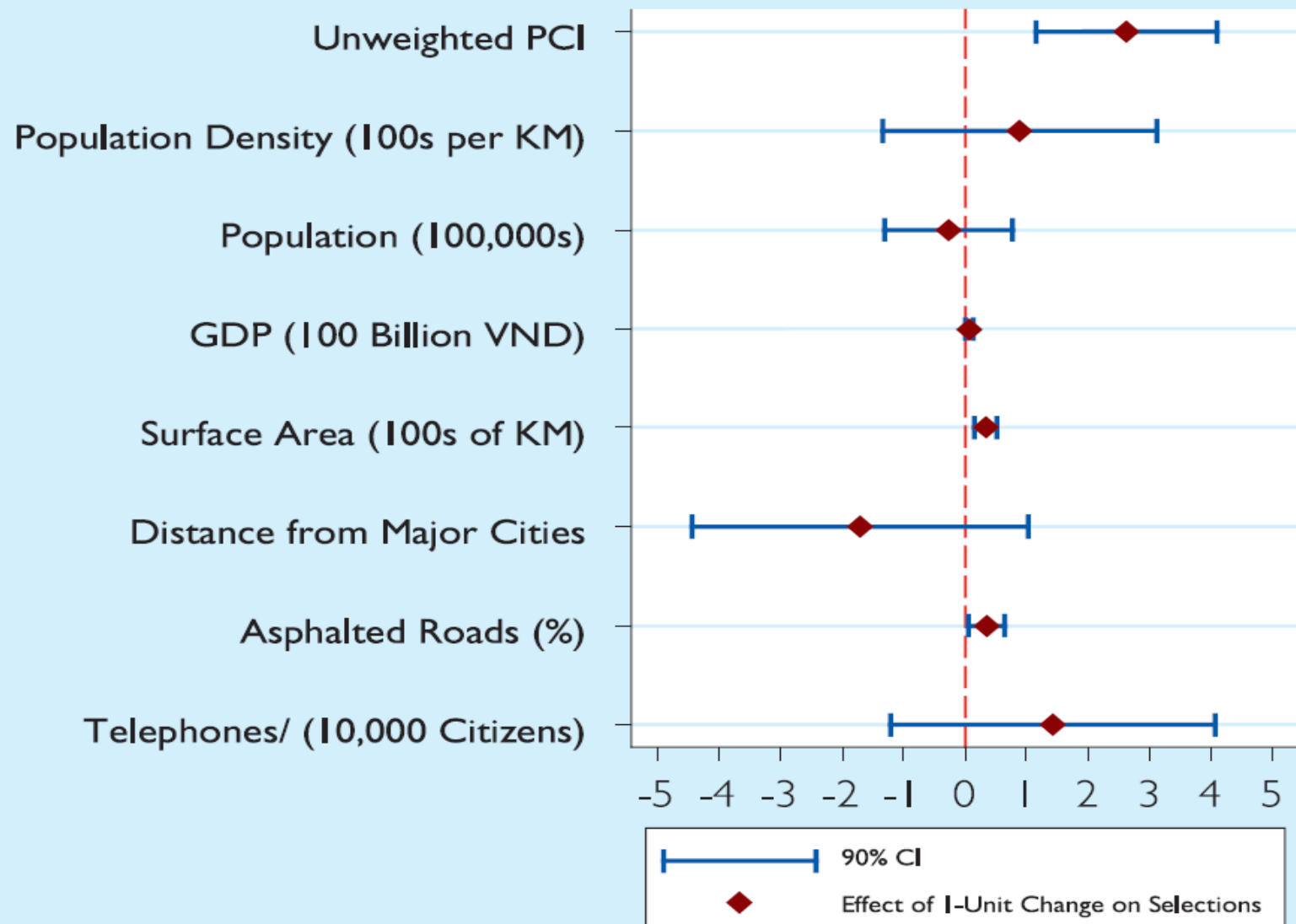
# Highlights in Business environment in Vietnam

*Results from PCI 2009*

# Business thermometer!



# Economic governance, the key to attract investment





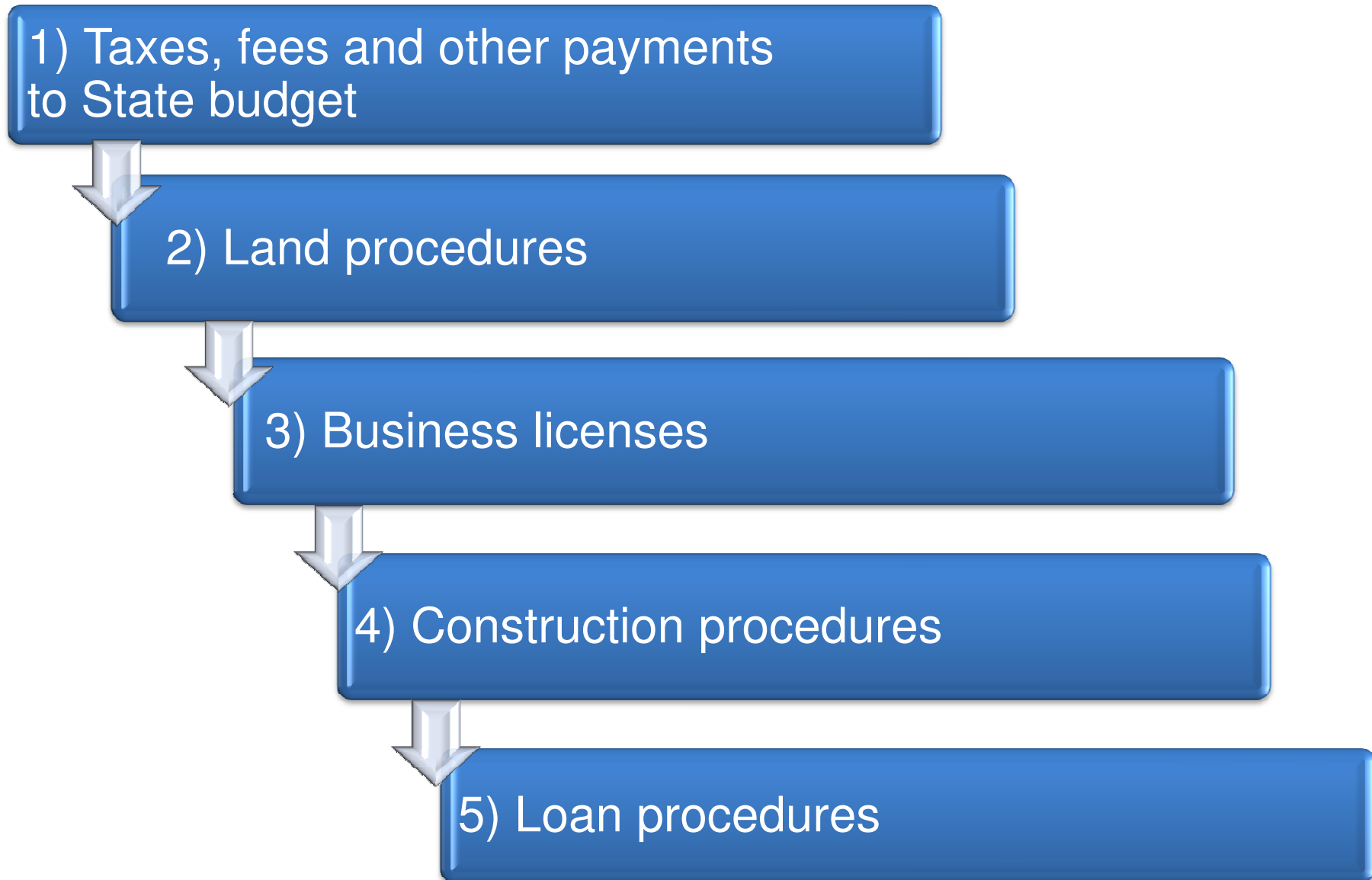
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# PCI and Project 30

## Five most cumbersome administrative procedures to firms





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## How PCI supports the implementation of Project 30?

- Diagnose and identify troublesome administrative procedures
- Serve as monitoring tool to the implementation of administrative procedure reform in localities
- Assess impacts of administrative procedure reform on businesses, such as costs of doing business, access to administrative forms,, etc.
- Currently, Project 30 is familiar to about 42% of surveyed firms.



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# Key improvements

- **Entry costs:**
  - Continuous reduction in business registration time: down to 10 days (from 12.25 days in 2008)
  - Number of firms waiting for more than one month to start business: 19% (from 21% in 2008)
  - Number of firms waiting for more than one month to start business : under 5%
- **Time costs:**
  - Total time business managers spend on bureaucratic procedures has reduced by 15% (from 22% in 2008).
  - Average time of a tax inspection visit has reduced from 8 hours to 5 hours.
  - 47% surveyed firms have seen reduction in paperwork and work related administrative procedures in the last 2 years.



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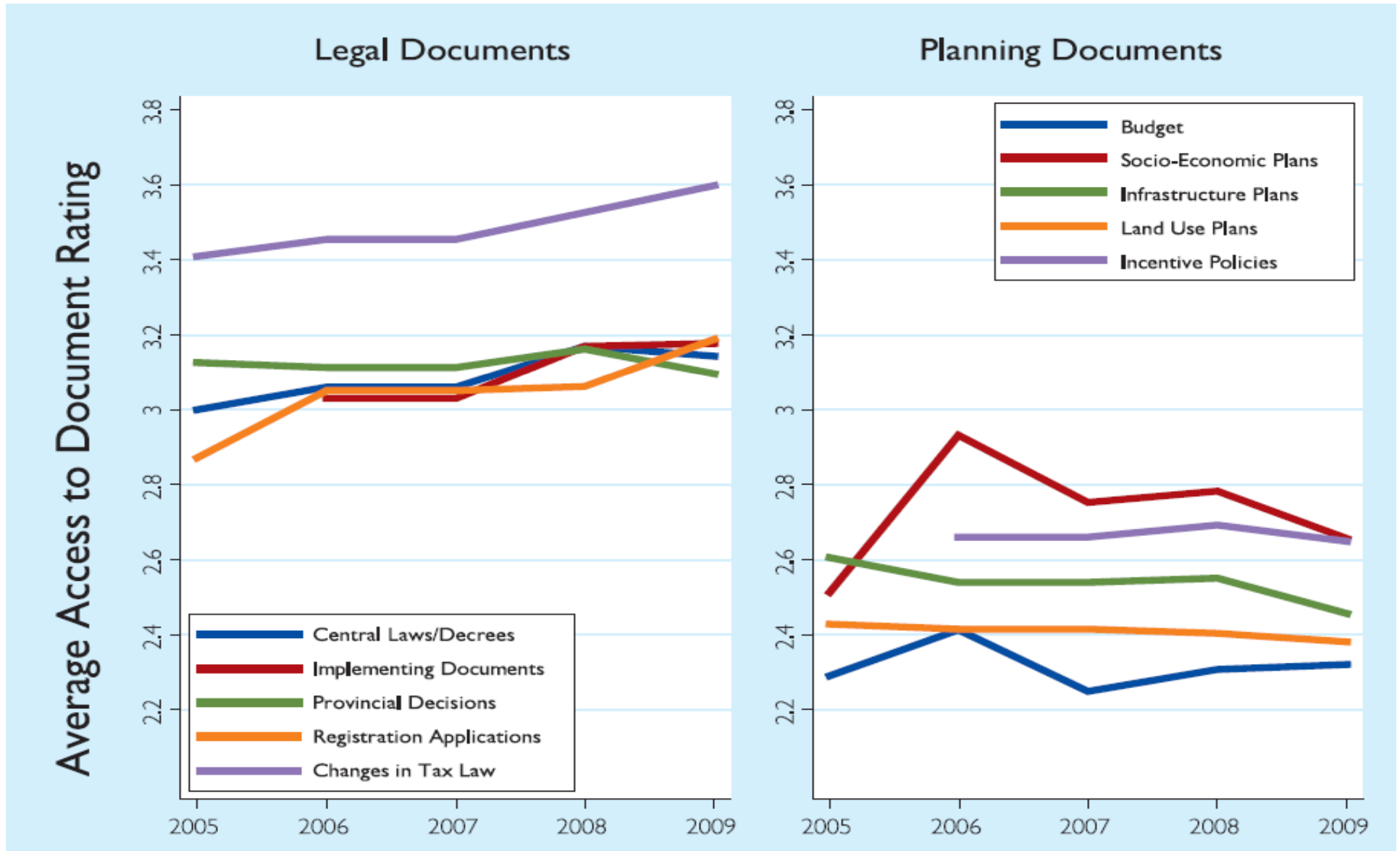
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## Areas for improvement: Transparency

- Percentage of firms believes that relationships are necessary to acquire business documentation: 61.26% (*back to the 2006 level*).
- Percentage of firms believes that the implementation of laws at provincial level is predictable down to 8.4%
- Percentage of firms consider negotiations with provincial tax authorities a necessary part of doing business has increased to 41%
- Mixed results are seen in access to planning documents and legal documents in 2009

# Firm access to documents from 2005 - 2009



Notes: 1 = impossible; 5 = very easy.



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## Areas for improvement: Labour and human resources

- Labor and human resources are still identified as one of the 4 largest obstacles to private businesses. More than 1,100 private respondents consider labor quality as most pressing issue
- Firms' assessments are better than those in 2008:
  - 45.45% firms rating “Good” of general education (2008: 35.2%)
  - 27.11% firms rating “Good” of vocational training quality (2008: 19.81%).
- Vocational training, labor exchange services are not up to its potential:
  - 33.33% firms using labor exchange services, 40.43% of which are provided by private sectors
  - The ratio of the number of vocational training school graduates to the number of untrained labors is 5.45/100 in the median province



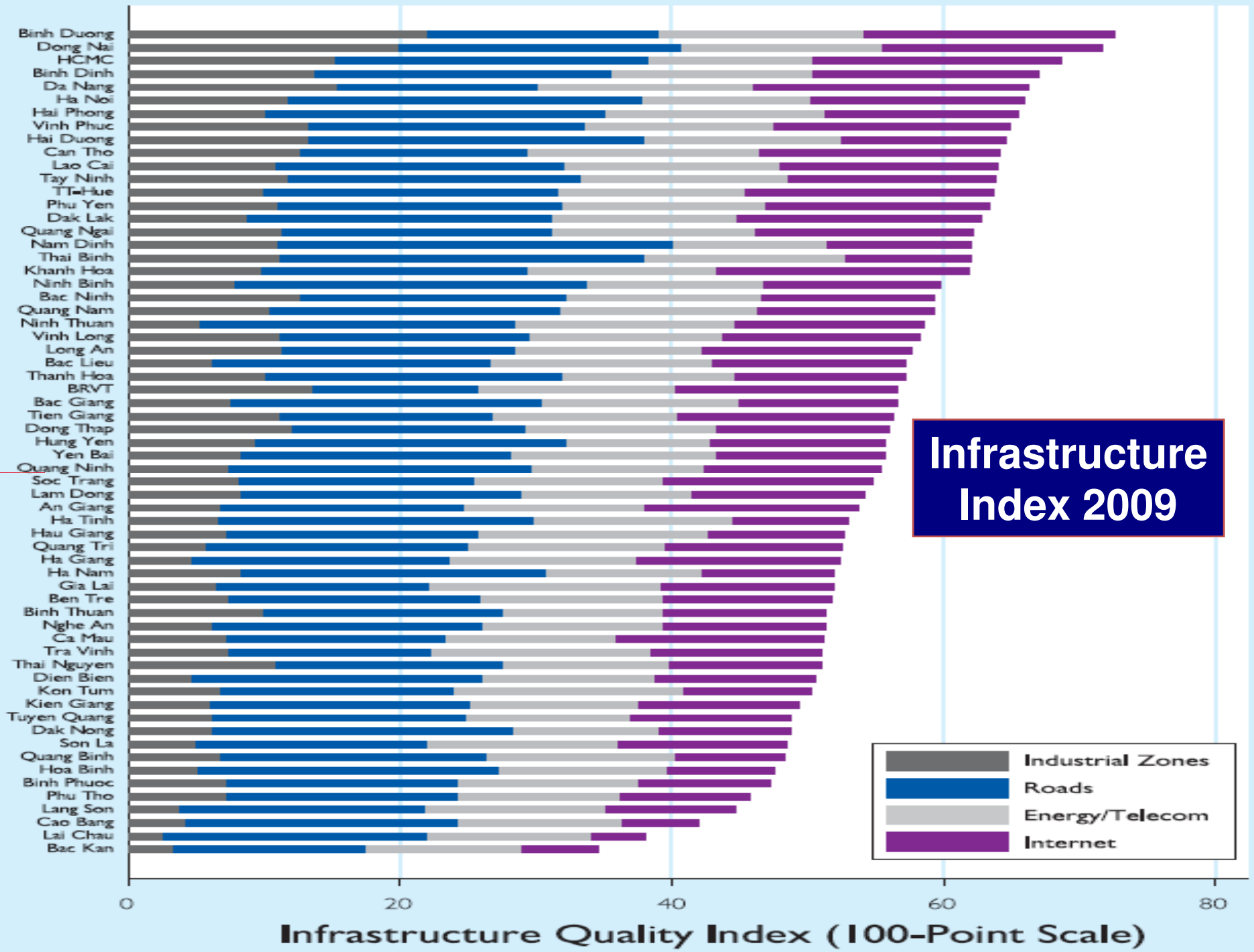
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## Areas for improvement: Infrastructure

- Infrastructure remains one of the top 4 obstacles facing enterprises.
  - 24.07% firms rating “Good” of provincial industrial zone quality.
  - 28.80% firms rating “Good” of road quality.
- However, telecommunications quality is rated “Good”:
  - Hours of telecommunications outages per month have reduced from 13 hours/month to 3hours/month/firm.
  - 46.4% firms rating “Good” of internet service quality,
  - 67.50% firms rating “Good” of telecommunications quality (2008: 25%)







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# Thank you!

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