




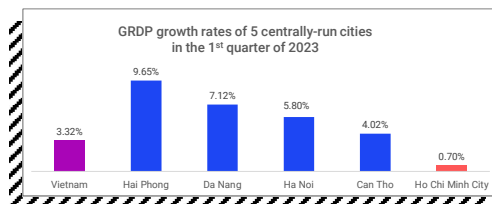
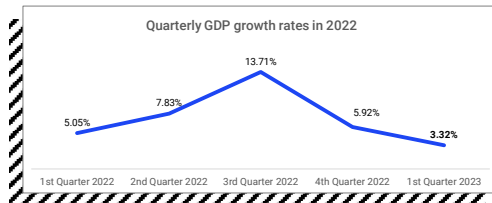
2022 World Economic and Political Review

## Global Instability

-  Russia – Ukraine conflicts
-  Energy crisis
-  Rising inflation and consumer prices
-  Tightened monetary policies and rising interest rates
-  Declining demands for goods
-  China's zero-COVID policy
-  Large economies' low growth rates

The collage consists of several images: a sunset over an oil rig, a damaged building with a satellite dish, a stack of shipping containers, and a smartphone displaying '2019'. A large black circle with the text 'THE WORLD IN 2022' is overlaid on the collage.

## Facing Challenges



### Declining Exports

Drastic decline in demands from Vietnam's key export markets cause shortage of orders for many businesses.



### Risks from Real Estate and Bond Markets

Business optimism declines. Many capital-raising channels stagnate due to recent bond market turbulence. A large volume of bonds, especially those issued by real estate firms, will be due in the coming months.



### Limited Access to Credit

Average annual loan interest rates above 10% in 2022 and early 2023. The 2% interest rate relief package remain difficult to access.



### Slow Public Investment Disbursement

67% of public investment budget was disbursed in 2022. Only 12 ministries and 17 localities disbursed over 80% of their allocated budget. Disbursement levels in 5 centrally-governed cities: Hai Phong – 77%, Da Nang – 66%, Can Tho – 51%, Hanoi – 48%, and Ho Chi Minh City – 27%.



### More Firms Ceasing Operations

In Q1 2023, the number of newly registered businesses declined by 5.4% from Q1 2022. . Meanwhile, about 20,100 businesses ceased operations, up 17.4% year on year.

## PCI 2022

How did Businesses Perform in the Last Year?  
What are the Key Features in Provincial Economic Governance?



### Business Performance

Changes in employment and investment size;  
share of domestic and foreign firms reporting  
profits/losses



### Provincial Economic Governance

Top 30 Performers in PCI 2022  
Top 10 Performers in each PCI subindex



### Challenges Faced by Firms

Main challenges faced by domestic and foreign firms



### Overtime Trends

6 features in provincial economic governance  
over time



### Business Confidence

Share of firms planning to increase size  
of operation in the next two years



### New Pathway Forward

Environmentally sustainable economic development



## Approach

### Nationwide Survey on Sampled Firms



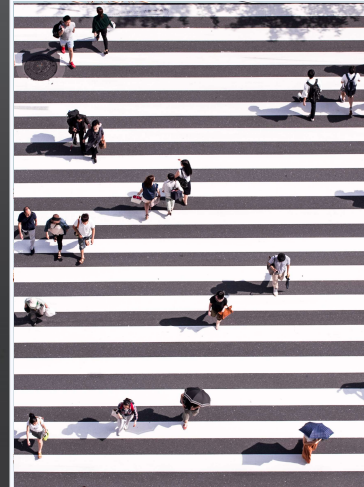
Sample is drawn from a population of **active businesses** taken from the list of businesses that are paying tax within each province.



Stratification criteria include firms' **legal form**, **years of operation**, and **sector**.



Firms are **randomly sampled using stratification criteria** within each province.



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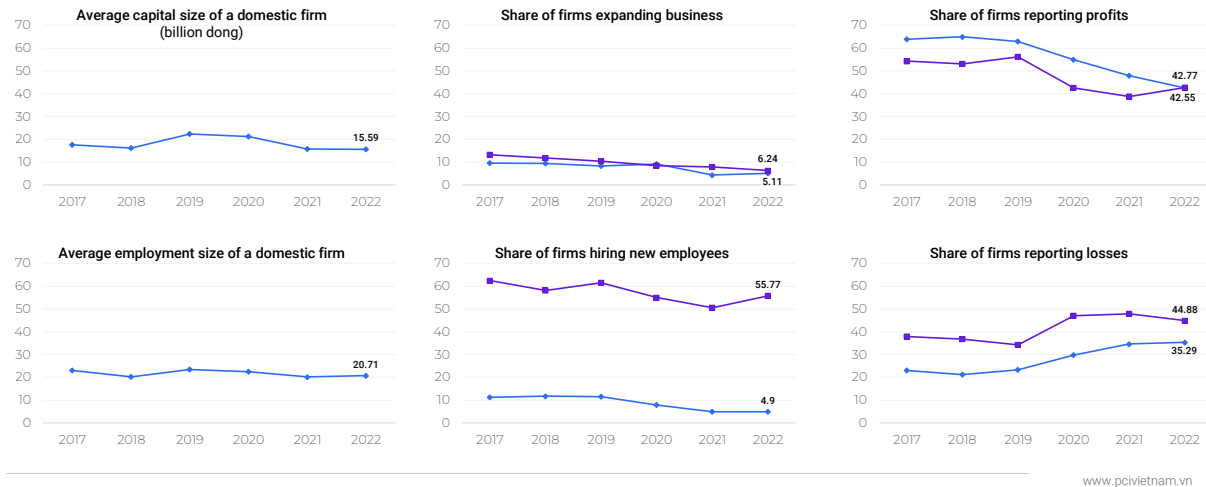
## Business Performance

Changes in Employment and Investment Size and in the Share of Domestic and Foreign Firms Reporting Profits/Losses in the Past Year

## Business Performance

# No Substantial Improvement in Firm Size, Investment and Profitability since COVID-19. Foreign Firms Showed Signs of Recovery.

Some indicators on employment size, capital size and share of domestic firms and foreign firms reporting profits/losses



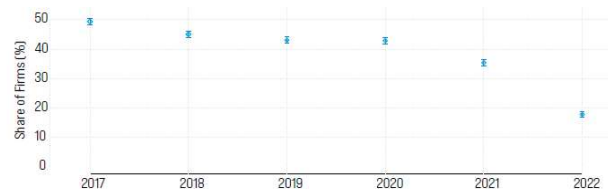
## Challenges Faced by Firms

# Domestic Firms Struggled to Access Credit

Access to financing was the top challenge faced by firms in 2022



## The proportion of firms having bank loans tends to decrease



**79%**  
could not get loans without collateral

**59%**  
reported lending procedures  
troublesome and reported being  
imposed unfavorable credit conditions

**56%**  
reported bank staff commonly sought bribes

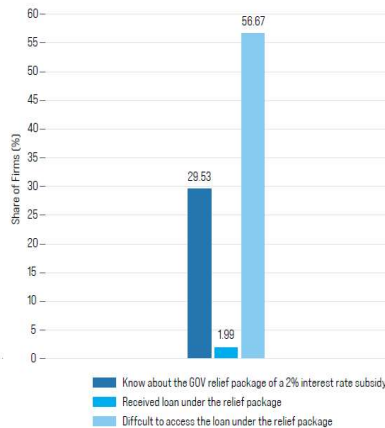
**50%**  
reported bank staff deliberately looked for  
errors in loan application, leading to  
extended application time



## Challenges Faced by Firms

# The Majority of Firms Reported Difficulties in Access to the 2% Interest Rate Relief Package

Only **1.99%** of firms received loan under the relief package

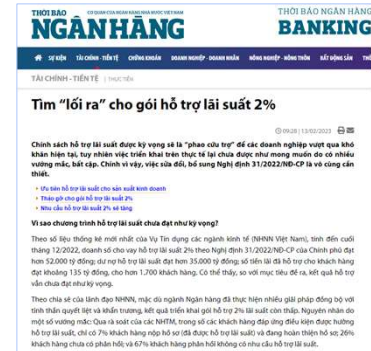


**75%**

reported lending procedures were difficult to meet

**12%**

reported the procedural process was not transparent



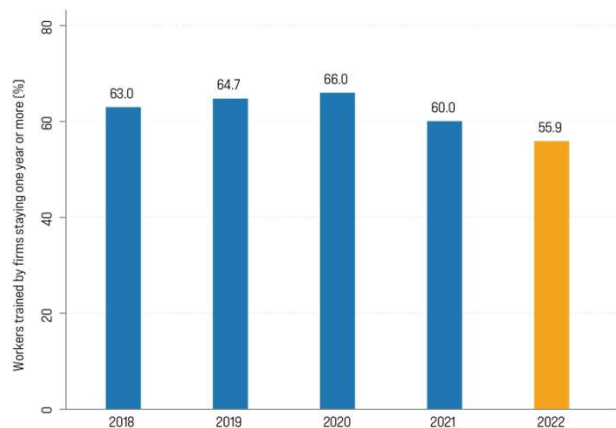
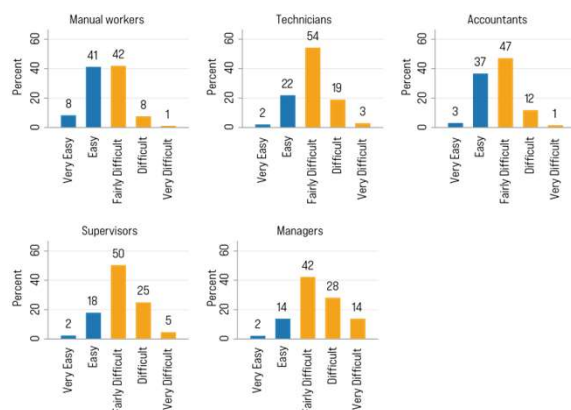
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## Challenges Faced by Firms

# Foreign Firms Faced Difficulty Recruiting and Retaining Employees

The share of FDI firms finding it **easy/very easy** to recruit manual workers was 62 percent in 2021. In 2022, the figure dropped to **49%**.

The proportion of trained workers **who stayed** one year or more continued to decline



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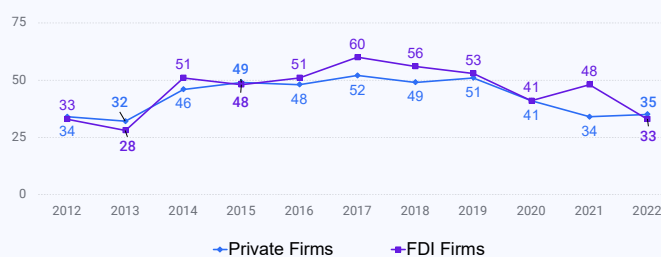


## 2022 Business Thermometer

Low level of optimism towards growth prospects  
Businesses are cautious with medium-term prospects

Only 35% of domestic firms and 33% of foreign firms  
were optimistic about expanding the size of their  
operations over the next two years.

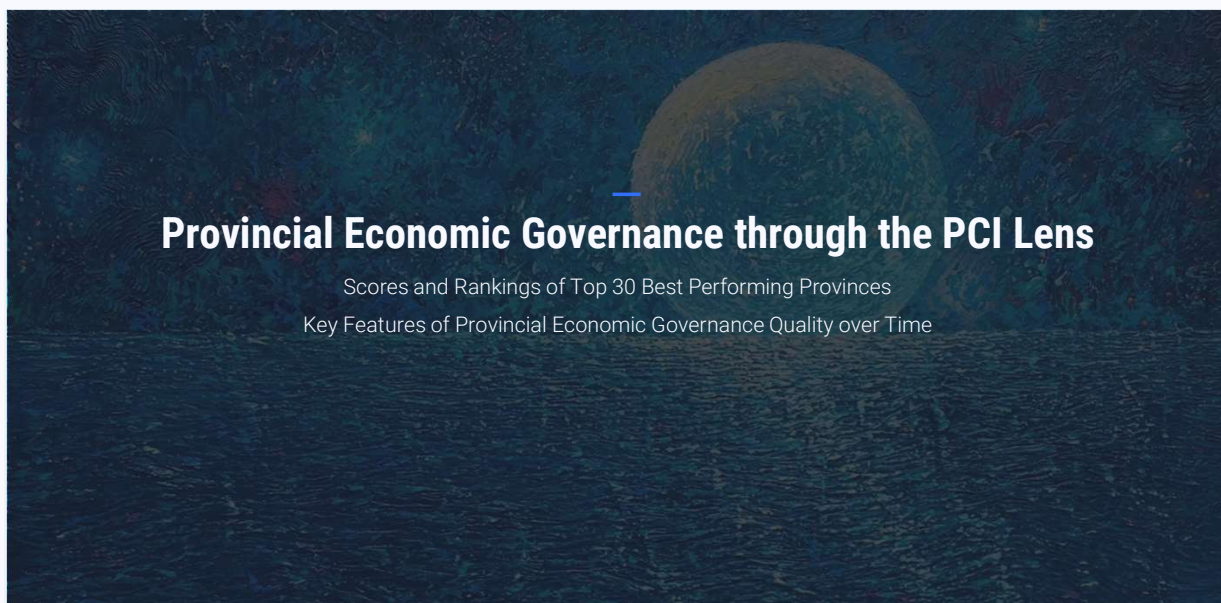
Share of firms planning to expand within next two years(%)



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## Provincial Economic Governance through the PCI Lens

Scores and Rankings of Top 30 Best Performing Provinces  
Key Features of Provincial Economic Governance Quality over Time



# PCI Principles

Realistic – Specific – Measurable – Actionable

The PCI reflects businesses' **actual** experiences in **specific** aspects of local economic governance. The PCI is designed to quantify and **measure** governance issues to provide reliable information and **actionable** advice, contributing to an improved business environment in provinces.



## Focus on economic governance

The PCI eliminates the influence of traditional conditions on the business environment



## Quantify governance quality

PCI compares the quality of governance and quantifies the impact on economic development.



## Base on best practices

PCI encourages provinces to improve economic governance by spreading best practices.



## Trigger action

Indicators results trigger specific and targeted provincial action.



## 10 PCI Subindices

Measurable and Comparable among Vietnam's 63 Provinces and Cities

### ENTRY COSTS

Assesses the differences in entry costs for new firms across provinces such as in business registration, conditional business licensing

### POLICY BIAS

Evaluates whether there is discrimination by provincial governments on the basis of economic sector and business size

### LAND ACCESS

Measures how easy it is to access land and the security of tenure once land is acquired

### PROACTIVITY OF PROVINCIAL LEADERSHIP

A measure of the creativity and cleverness of provinces in implementing central policy and designing their own initiatives for private sector development

### TRANSPARENCY AND ACCESS TO INFORMATION

Evaluates whether firms have access to the proper planning and legal documents necessary to run their businesses

### BUSINESS SUPPORT POLICY

Assesses quality of provincial business support policies and services.

### TIME COSTS

Evaluates how much time firms waste on bureaucratic compliance

### LABOR AND TRAINING

A measure of the efforts by provincial authorities to promote vocational training and skills development for local industries

### INFORMAL CHARGES

A measure of how much firms pay in informal charges and how much of an obstacle those extra fees pose for their business operations

### LAW AND ORDER

A measure of the private sector's confidence in provincial legal institutions



# Weight Adjustment

Re-considers factors that had the largest impacts on business growth performance over time

To reflect changes in business regulatory environment as well as developments in the business environment in Vietnam



Subindex	Adjusted Weights
Entry Costs	5%
Land Access	10%
Transparency	5%
Time Costs	5%
Informal Charges	15%
Policy Bias	10%
Proactivity	15%
Business Support Policy	15%
Labor and Training	10%
Law and Order	10%

## PCI 2022

### Top 30 Best Performers

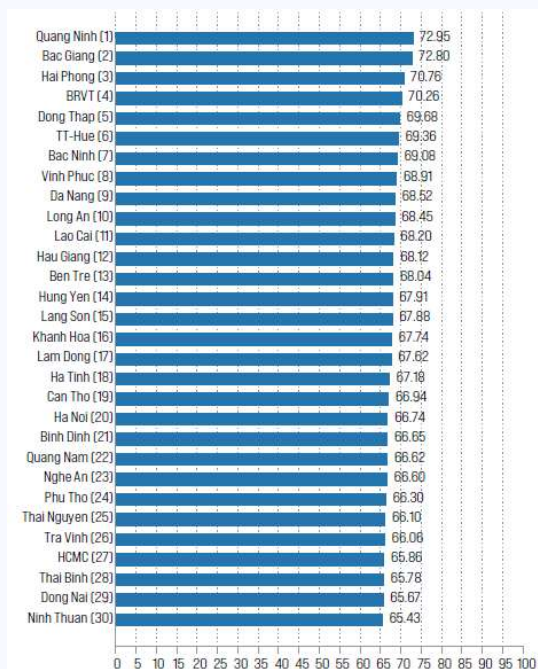
Quang Ninh tops PCI ranking for the sixth year in a row with a score of 72.95 points (on a scale of 100 points).

1 QUANG NINH	6 THUA THIEN HUE
2 BAC GIANG	7 BAC NINH
3 HAI PHONG	8 VINH PHUC
4 BA RIA - VUNG TAU	9 DA NANG
5 DONG THAP	10 LONG AN



The 2022 and 2021 PCI scores are highly correlated (correlation coefficient  $r = 0.66$ ). This demonstrates that the 2022 PCI results are consistent with prior years after recalibration.

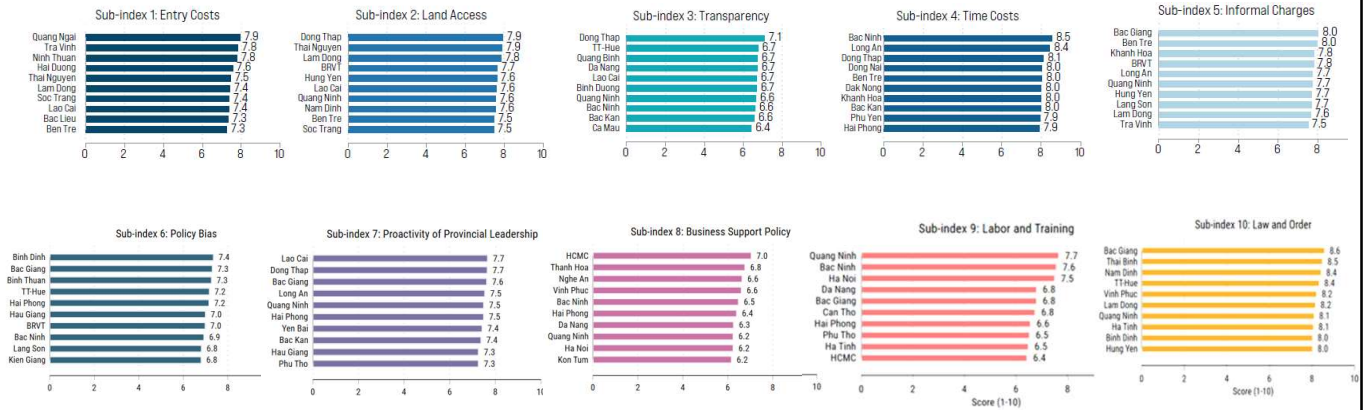
### Top 30 PCI 2022



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## Top 10 Performers in Each PCI Subindex

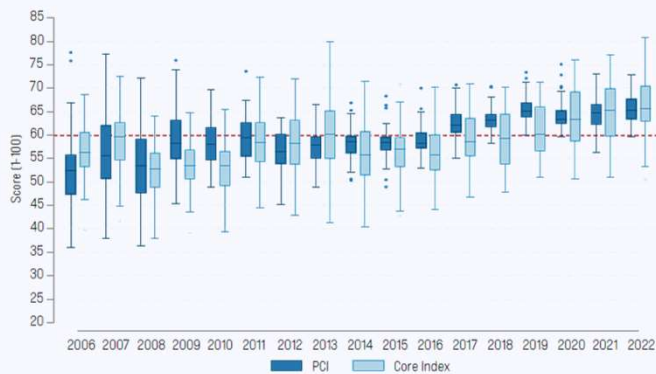
Scale of 1 – 10 points



### Feature #1

## Provincial Economic Governance Improves over Time

Core PCI scores and aggregate PCI scores from 2006 to 2022



The 2022 median PCI score reached 65.22 points, up 0.48 point from 2021.  
The 2022 median core PCI score reached 65.67 points, the highest in the PCI history.

Aggregate PCI  
**65.22**

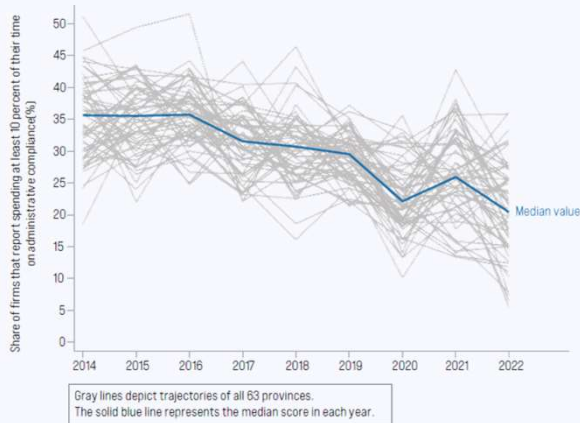
Core PCI  
**65.67**

The Core PCI is aggregated from a limited set of 35 indicators that have been employed since 2006 to date.

## Feature #2

### Continued Improvement in the Handling of Administrative Procedures over Time

The share of firms spending more than 10 percent of their time on understanding and completing administrative procedures decreased from 26% in 2021 to 20% in 2022.



**49.3%**

Spent over 5% of time on bureaucratic procedures, a big drop from 60.6% in 2021.

**89%**

Found that officials were effective

**82%**

Paid fewer visits to agencies to complete administrative procedures

**81%**

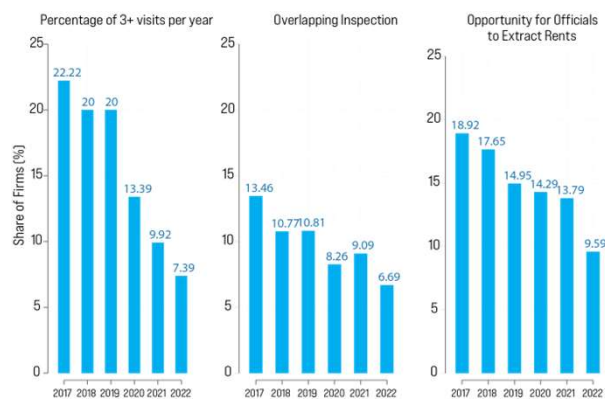
Found that paperwork was simple

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## Feature #2

### Inspection and Examination Procedures are Less Burdensome

Firms' rating of inspection and examination



**1**

Number of times domestic firms were inspected and examined last year (median value)

**7.4 %**

Share of domestic firms inspected/examined more than 3 times last year

**1**

Number of times foreign firms were inspected and examined last year (median value)

**5.3 %**

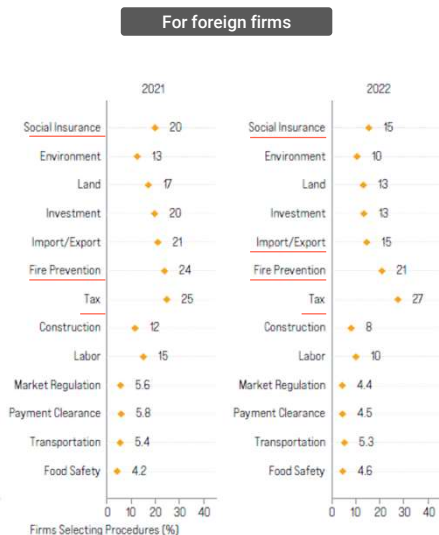
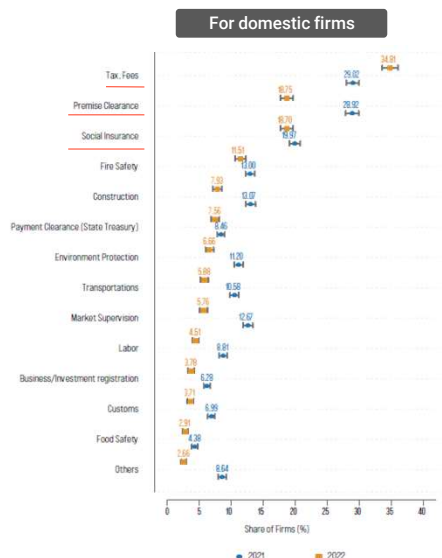
Share of foreign firms being inspected/examined more than 3 times last year

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## Feature #2

# Administrative Procedures in Some Areas Remain Burdensome



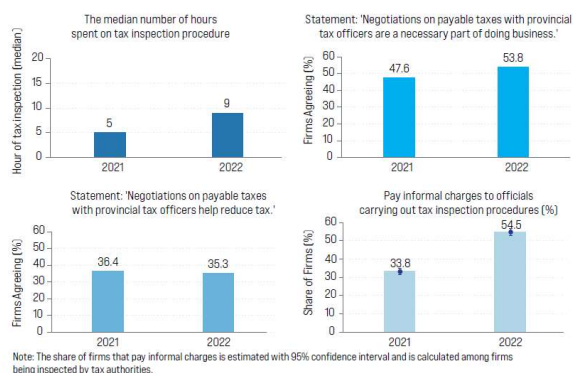
## Feature #2

# Troublesome Tax Procedures

## Tax finalization

49% of domestic firms encounter difficulties complying with tax finalization procedures in 2022 compared to 25% in 2021.

## Types of tax burden



## Tax finalization



### Feature #3

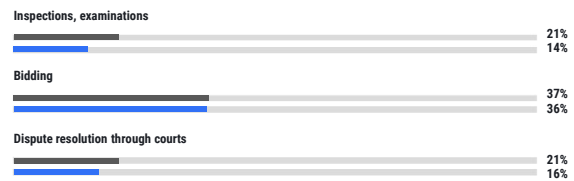
## Continued Decline in the Payment of Informal Charges



There has been a measurable decline in the payment of informal charges made by domestic firms during 2016-2022.



Informal charges reported by domestic firms in several areas decline in 2022 from 2021.



#### For FDI firms:

- In 2022, only 17.4% of firms had to pay informal charges to inspectors, a decrease from 25.4% in 2021.
- There was an increase in the share of firms paying less than 1% of annual income in informal charges.
- However, up to 38.5% and 19.2% of firms had to pay informal charges during import/export procedures and land procedures.

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### Feature #3

## Easier Access to Information

Average scores measuring the level of ease of access to documents

	Planning Documents			Legal Documents		
	Min	Median	Max	Min	Median	Max
2013	2.17	2.61	3.31	2.57	3.14	3.59
2014	1.9	2.25	2.51	2.86	3.1	3.31
2015	2.14	2.38	2.65	2.79	3.03	3.29
2016	2.13	2.39	2.71	2.83	3.1	3.3
2017	2.23	2.44	2.67	2.83	3.06	3.29
2018	2.12	2.38	2.6	2.57	3	3.21
2019	2.24	2.5	2.81	2.8	3.08	3.37
2020	2.03	2.54	2.88	2.53	3.03	3.33
2021	2.22	2.68	3.02	2.79	3.06	3.35
2022	2.68	3.04	3.35	2.84	3.15	3.54

Level of Ease of Access to Documents



## 3.04

Median average score for planning documents

The median scores for planning documents followed an upward trend and reached the highest score ever.

## 3.15

Median average score for legal documents

The median scores for legal documents tended to stay around more than 3 points.

## < 4

Not yet "easy"

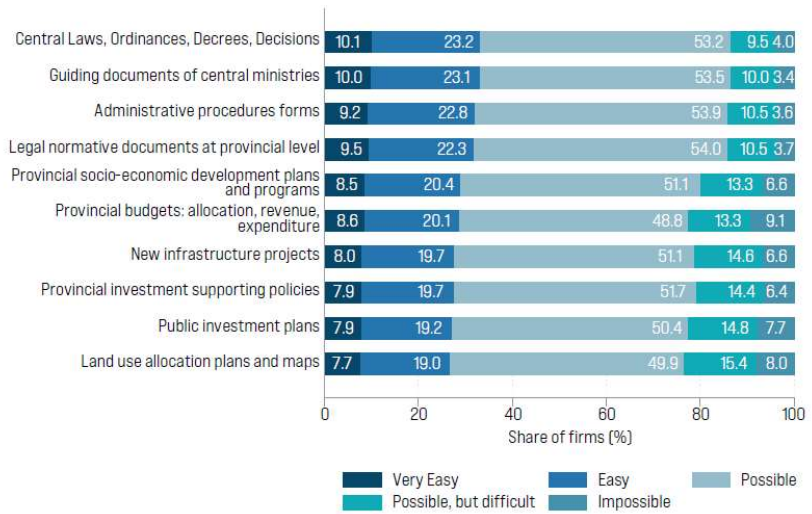
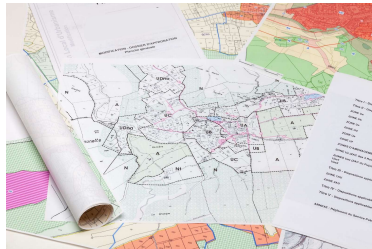
The average scores have never come close to 4 (the desired level of "easy to access").

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#### Feature #4

### Information Needs to be More Accessible

Not a single sub-type of document was rated as “very easy” or “easy” to access by more than one third of respondents in the median provinces.



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#### Feature #5

### Policy Enforcement at Departmental and District Levels

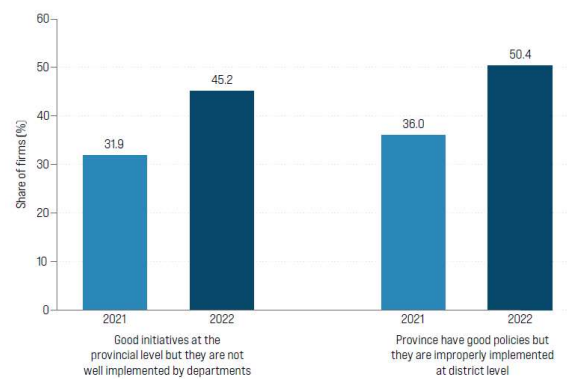
Provincial policies need to be better implemented at departmental and district levels.

**45%**

Share of firms claimed provincial policies were not properly implemented by provincial departments

**50%**

Share of firms claimed provincial policies were not properly implemented at the district level



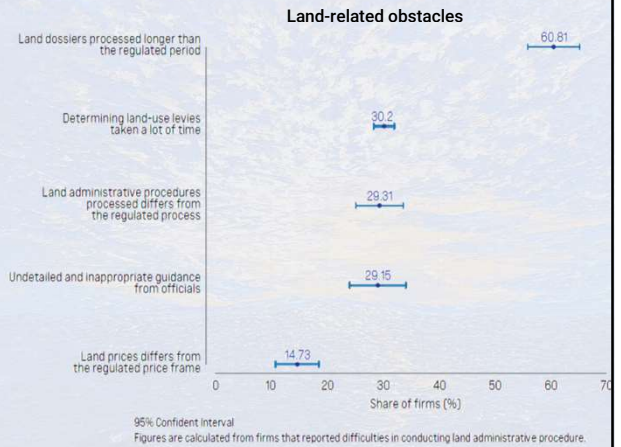
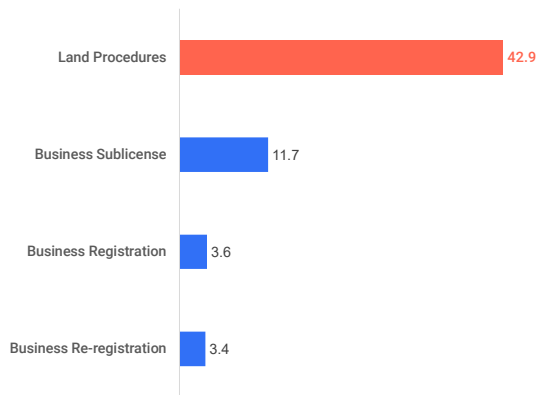
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## Feature #6

# Land Access Remains a Major Bottleneck

A sizeable share of firms had to **delay or cancel** their business plans due to difficulties in implementing **land-related** administrative procedures.



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## PCI 2022

# Summary of Key Findings

Economic Governance over Time

## #1

There has been improvement in economic governance quality over time.

## #2

There is continued improvement in the handling of administrative procedures; however, troubles in certain key areas remain.

## #3

There has been a measurable decline in the payment of informal charges.

## #4

More types of information and documents are available, but businesses expect easier access to them in the future.

## #5

There is still room for improvement in policy enforcement at the departmental and district levels.

## #6

Access to land continues to be a bottleneck.





Provincial Green Index

# PGI

Putting environmental protection and sustainable development at the center of Vietnam's development trajectory

[www.pcivietnam.vn](http://www.pcivietnam.vn)



## PGI and Green Economy

PGI contributes to Vietnam's shift to a greener growth model by promoting fulfillment of Vietnam's sustainable development strategy and international climate and green pledges.



[www.pcivietnam.vn](http://www.pcivietnam.vn)





# THANK YOU!

## Vietnam's Business Landscape from Domestic Private and Foreign Firms' Perspective

**ĐÀU ANH TUAN**

Director of Legal Department  
Deputy Secretary General, Vietnam Chamber of Commerce and Industry  
PCI Program Director

