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# The PCI 2021 Rankings and Vietnam's Business Climate from Domestic Private Firms' Perspective

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PCI  
SINCE 2006

PCI 2021





# PCI 2021

## OVERVIEW OF PCI

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What is the PCI?

Impacts of the PCI

## 2021 PROVINCIAL COMPETITIVENESS INDEX

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Overall Findings

Eight Key Findings from 2021 Provincial  
Competitiveness Index

## CONCLUSIONS

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Challenges Facing Business Operations

Business Confidence



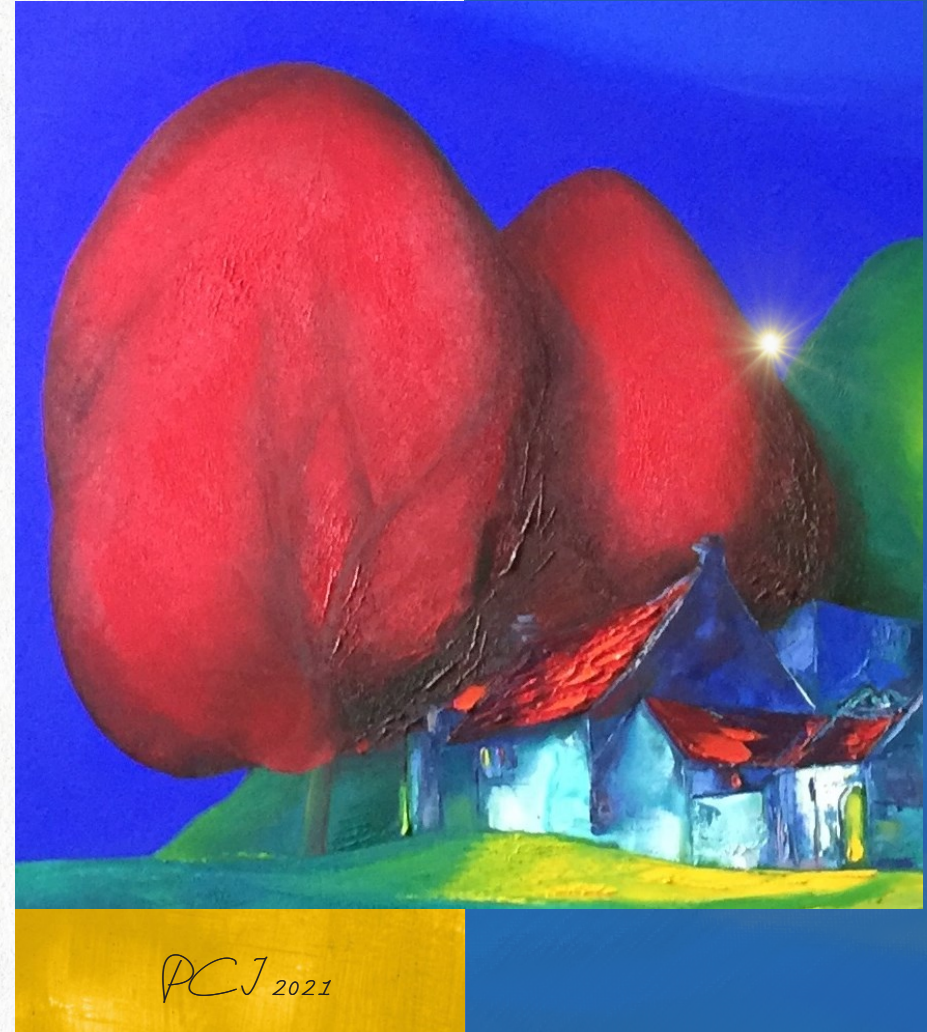
# OVERVIEW OF PROVINCIAL COMPETITIVENESS INDEX (PCI)

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What is the PCI?

Impacts of the PCI

PROVINCIAL COMPETITIVENESS INDEX







# PCI is a measure of provincial economic governance



The PCI measures **actual business perceptions** of **provincial economic governance**. PCI results are **comparable** among provinces, thereby **promoting reform actions**.



## For central agencies

-  Benchmarking overall national business environment
-  Driving administrative procedure reform at central agency and provincial levels


## For provincial governments

-  Identifying governance issues to be addressed
-  Improving enforcement, transparency, and accountability

## For business community

-  Enhancing oversight role of private sector over state activities
-  Promoting public-private dialogue and initiatives to improve business environment

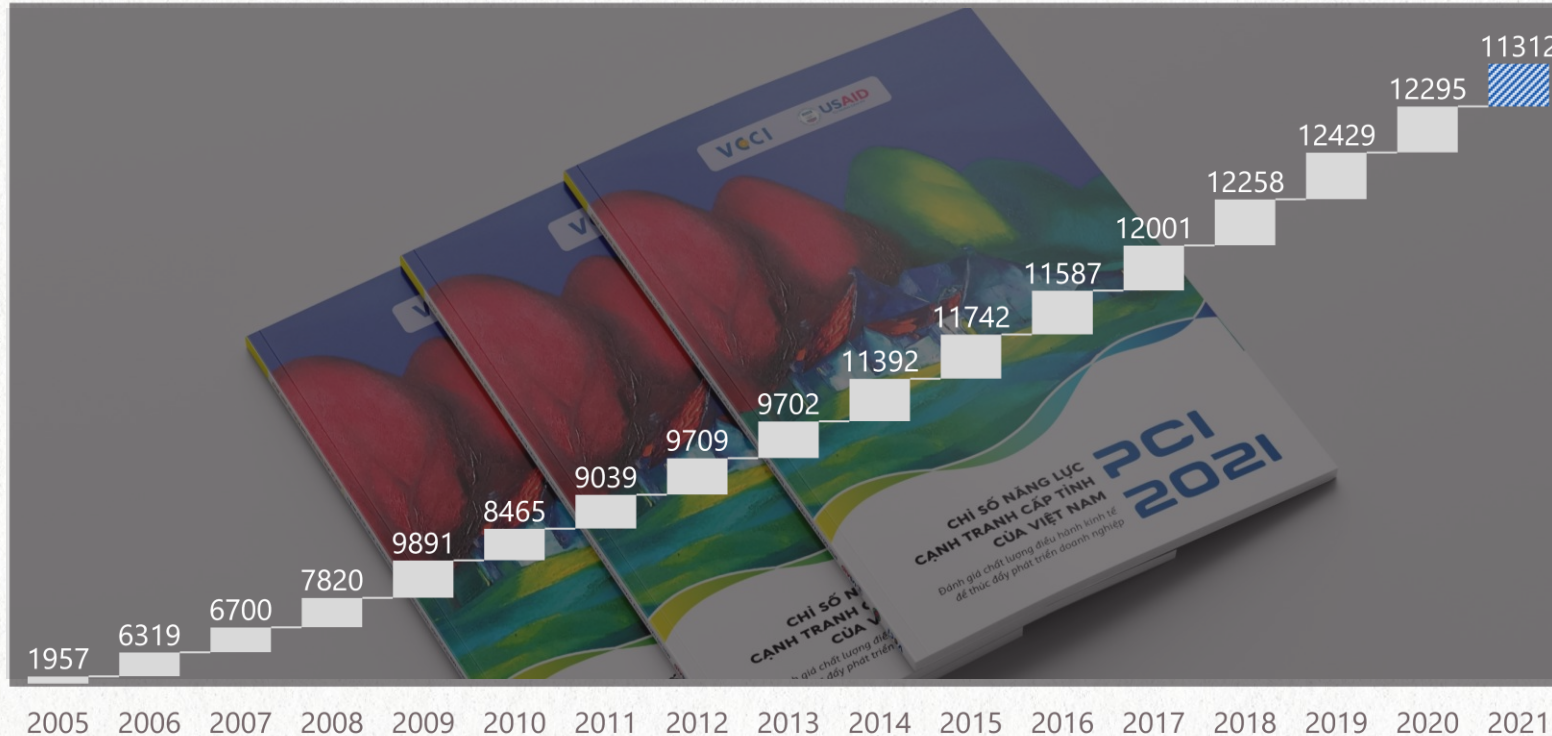
## For potential investors

-  Comparison of provincial economic performance enabling investment location decisions.



# PCI conveys the collective voice of the business community

Number of responses from PCI 2005 to PCI 2021



**164,624**  
Firm Responses

**17**  
Annual Reports

**3 million**  
PCI Website Visits

PCI



# PCI drives business environment improvement programs and initiatives



## 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

> 1,500

Central and local legal documents employed PCI scores

550

Workshops about PCI organized by provinces

> 70,000

Cadres and local leaders at PCI diagnostic workshops

46

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

> 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...



# What is new in the PCI 2021?

## Revised Methodology in PCI 2021

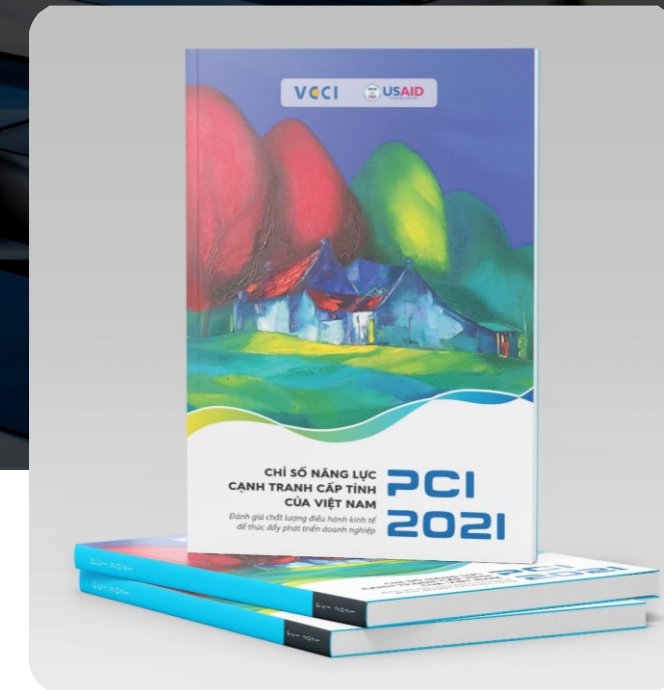
PCI methodology is periodically recalibrated every four years to reflect changes in business and regulatory environment as well as developments in the business community in Vietnam.

**58** **Inputs from provinces and experts**  
In May 2021, 33 provinces, 25 experts and business association representatives contributed inputs to PCI methodology.

**2** **Subindices are re-adjusted**  
Including “Policy Bias” and “Business Support Policy”

**77** **Indicators are maintained as in the 2017-2020 recalibration**  
77 indicators are maintained. 8 indicators are adjusted with small changes.

**56** **New indicators are added**  
New indicators reflect emerging concerns in provincial economic governance



**52** **Indicators are eliminated**  
Indicators obviated by reforms or losing their original meaning are dropped



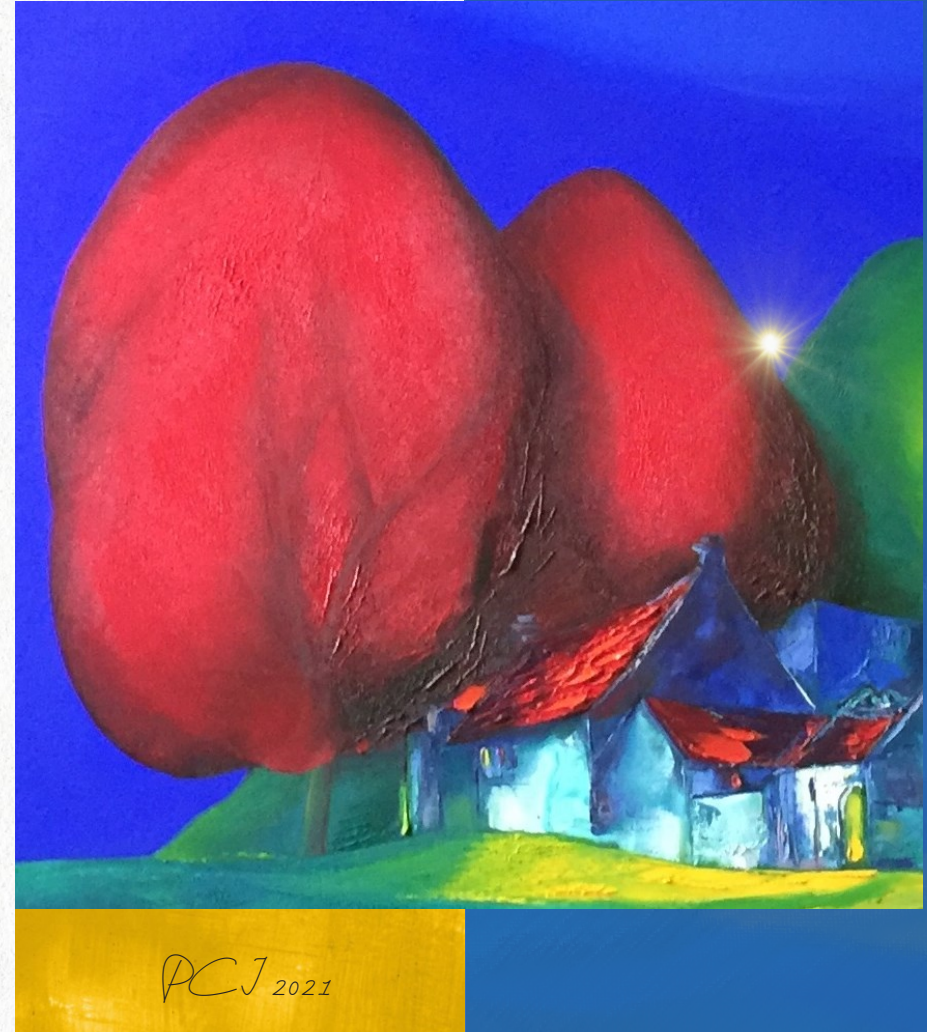
# 2021 PROVINCIAL COMPETITIVENESS INDEX

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Overall Findings

Eight Key Findings from 2021 Provincial  
Competitiveness Index

PROVINCIAL COMPETITIVENESS INDEX





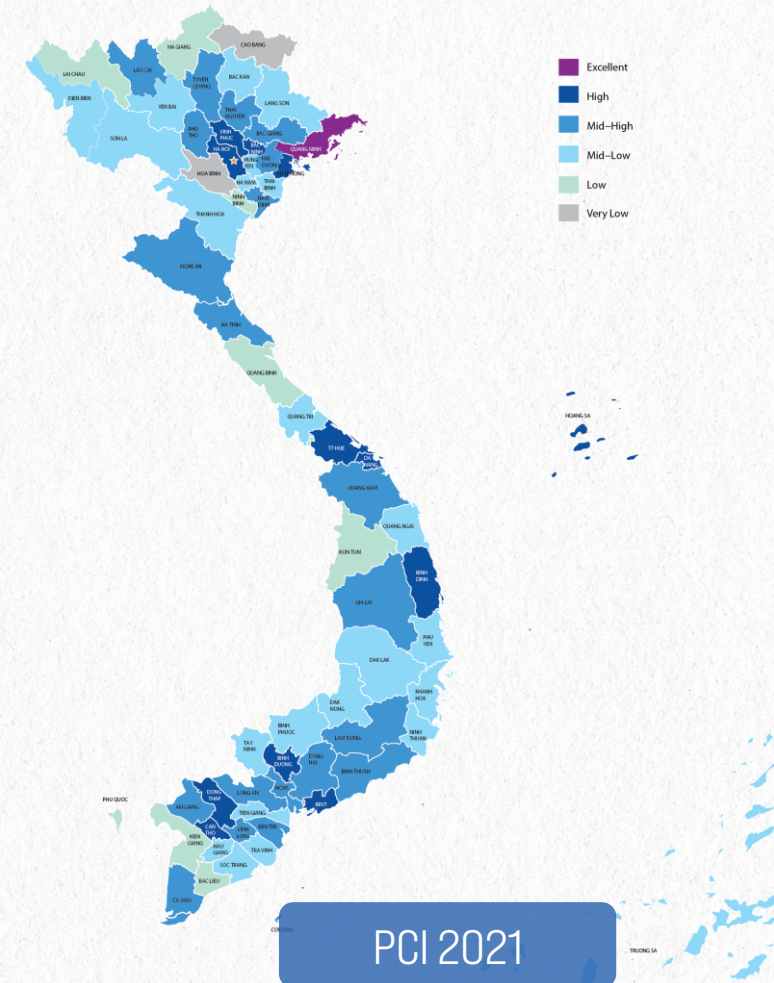
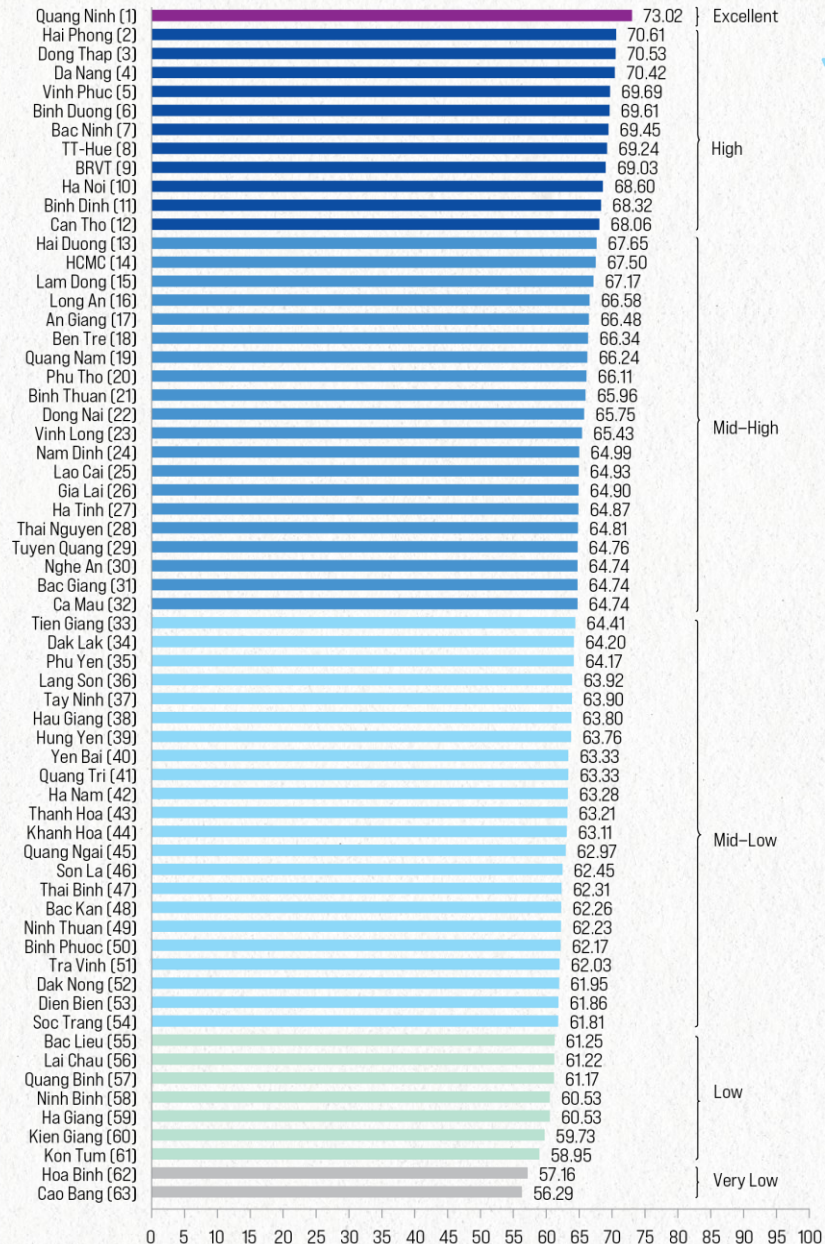
## OVERALL FINDINGS ► 2021 PCI RANKINGS

# Quang Ninh tops PCI rankings for the fifth year in succession

### 2021 PCI Top 10 rankings

1	QUẢNG NINH	6	BÌNH DƯƠNG
2	HẢI PHÒNG	7	BẮC NINH
3	ĐỒNG THÁP	8	TT-HUẾ
4	ĐÀ NẴNG	9	BÀ RỊA – VŨNG TÀU
5	VĨNH PHÚC	10	HÀ NỘI

PCI 2021 and PCI 2020 are highly correlated ( $r = 0.75^*$ ), showing stability after 2021 recalibration exercise.



11.312 Domestic private firms  
 10.127 Domestic firms  
 2.091 Domestic firms established since 2020



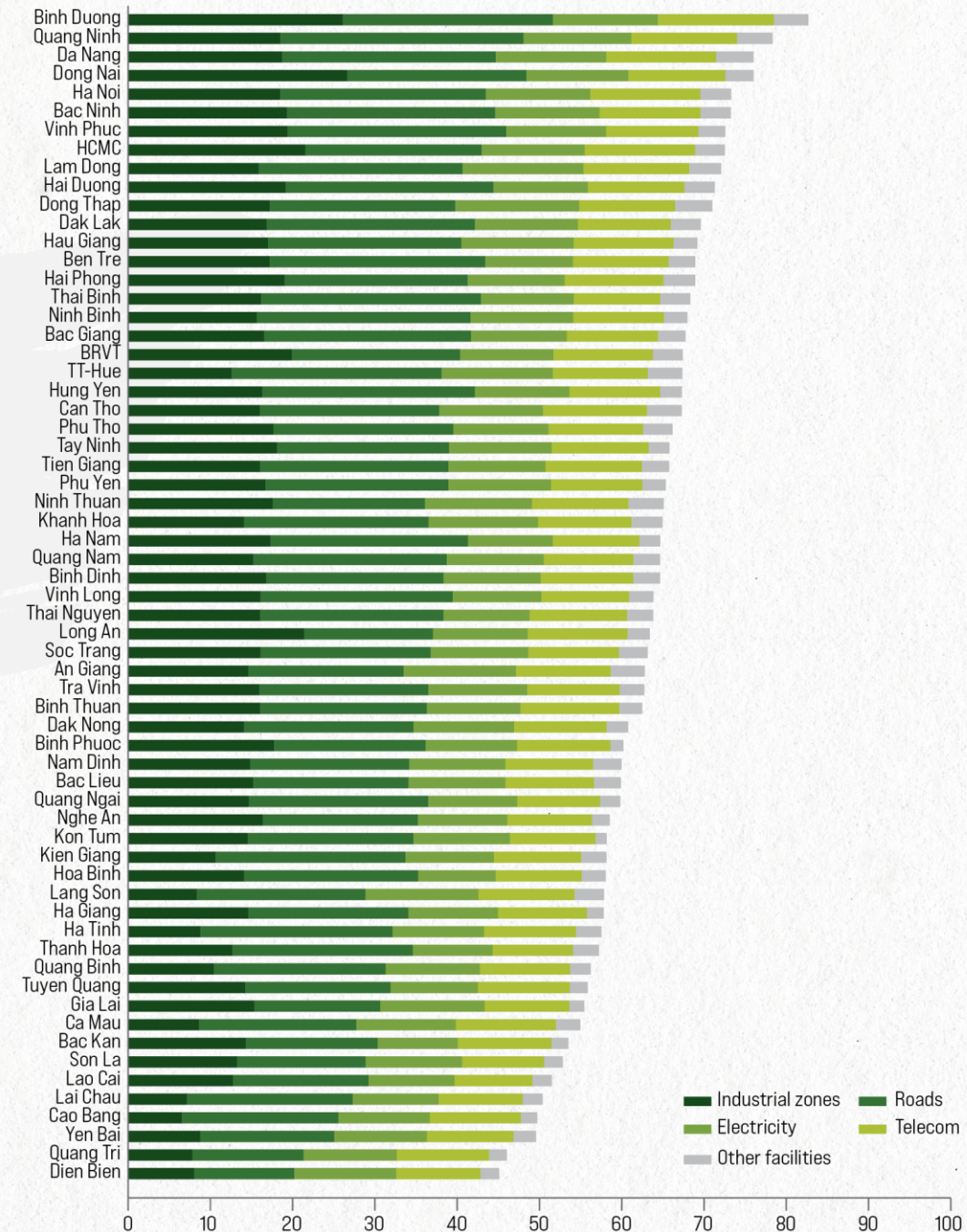
OVERALL FINDINGS ► THE INFRASTRUCTURE INDEX

Infrastructure Quality: Median score reaches 63.85 points, maintaining the over-60 point trend since 2015

2021 Infrastructure Index Top 10 rankings

- |              |                   |
|--------------|-------------------|
| 1 BÌNH DƯƠNG | 6 BẮC NINH        |
| 2 QUẢNG NINH | 7 VĨNH PHÚC       |
| 3 ĐÀ NẴNG    | 8 TP. HỒ CHÍ MINH |
| 4 ĐỒNG NAI   | 9 LÂM ĐỒNG        |
| 5 HÀ NỘI     | 10 HẢI DƯƠNG      |

The Infrastructure Index is constructed from PCI survey data and published statistics. The Infrastructure Index scores are separated from the calculation of the PCI.





# 8

## KEY FINDINGS FROM 2021 PROVINCIAL COMPETITIVENESS INDEX

# PCI

### #1

Business environment in Vietnam shows positive changes

### #2

Local governments continue to promote proactivity and private sector support

### #3

Informal charges continue to decline in many areas

### #4

Efficiency of administrative procedures improved, but more reform efforts are still needed

### #5

Compliance with conditional business licensing procedures remains burdensome

### #6

Land access is declining

### #7

Implementation of Law on Support to Small- and Medium-sized Enterprises produced modest results

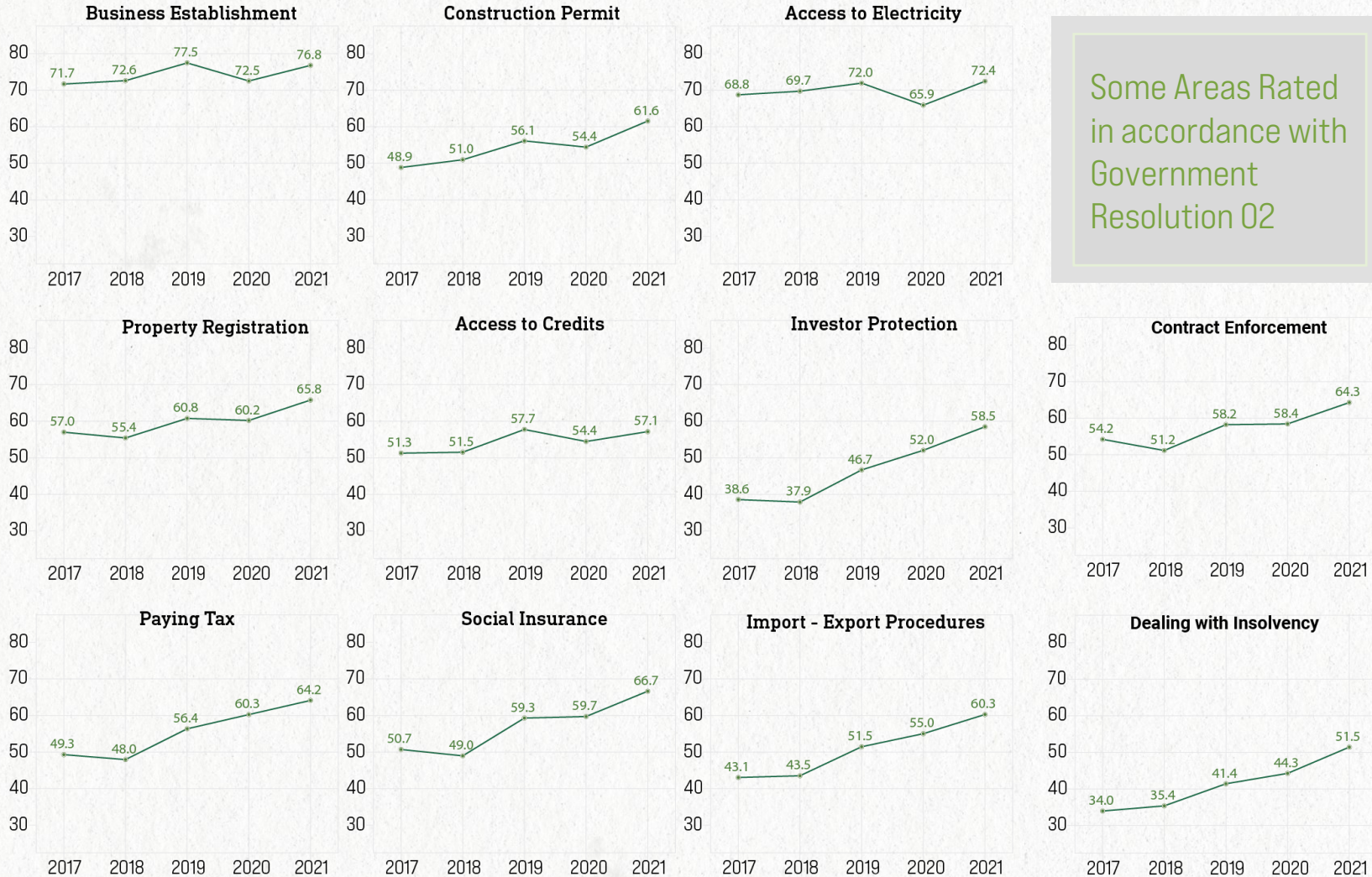
### #8

Information and dissemination of guidance to firms about international economic integration remains weak



# #1. BUSINESS ENVIRONMENT IN VIETNAM SHOWS POSITIVE CHANGES

## Areas rated positively by businesses



Some Areas Rated in accordance with Government Resolution 02

Positive trends in business environment in Vietnam mirror improving trends observed in provincial business environment in PCI 2021

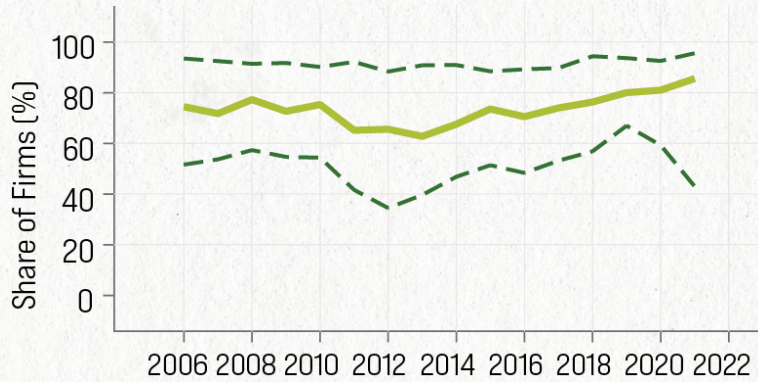
Unit: Share of Firms Assessing the Improvement Is "Good" or "Very Good" [%]



#2. LOCAL GOVERNMENTS CONTINUE TO PROMOTE PROACTIVITY AND PRIVATE SECTOR SUPPORT

# Proactivity of provincial leadership received highest firm approval ever

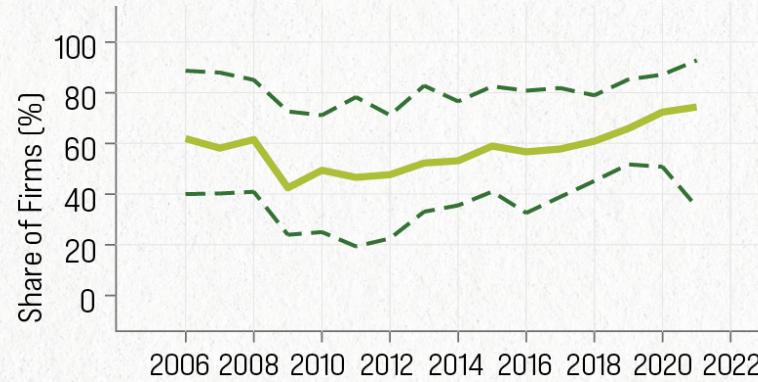
The PPC is Flexible within Existing Regulations



85.6 %

of firms agreed “the Provincial Committee is flexible within the scope of law to create a favorable business environment”

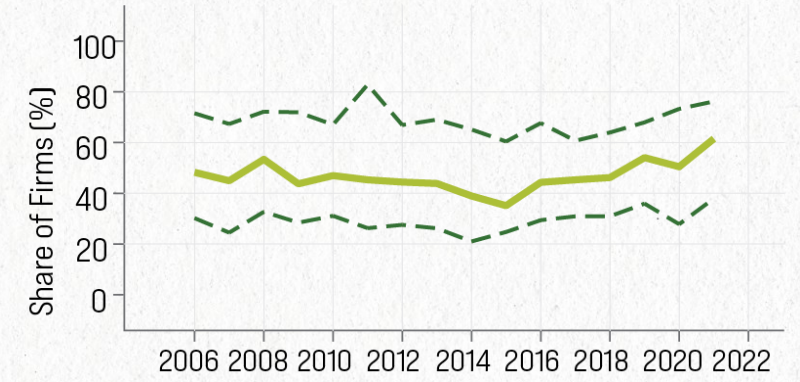
The PPC is Creative in Solving Problems



74 %

of firms agreed “even when central regulations are unclear, my provincial People’s Committee is creative and clever in solving arising problems”

Prov. Authorities’ Attitude toward Private Sector is Positive



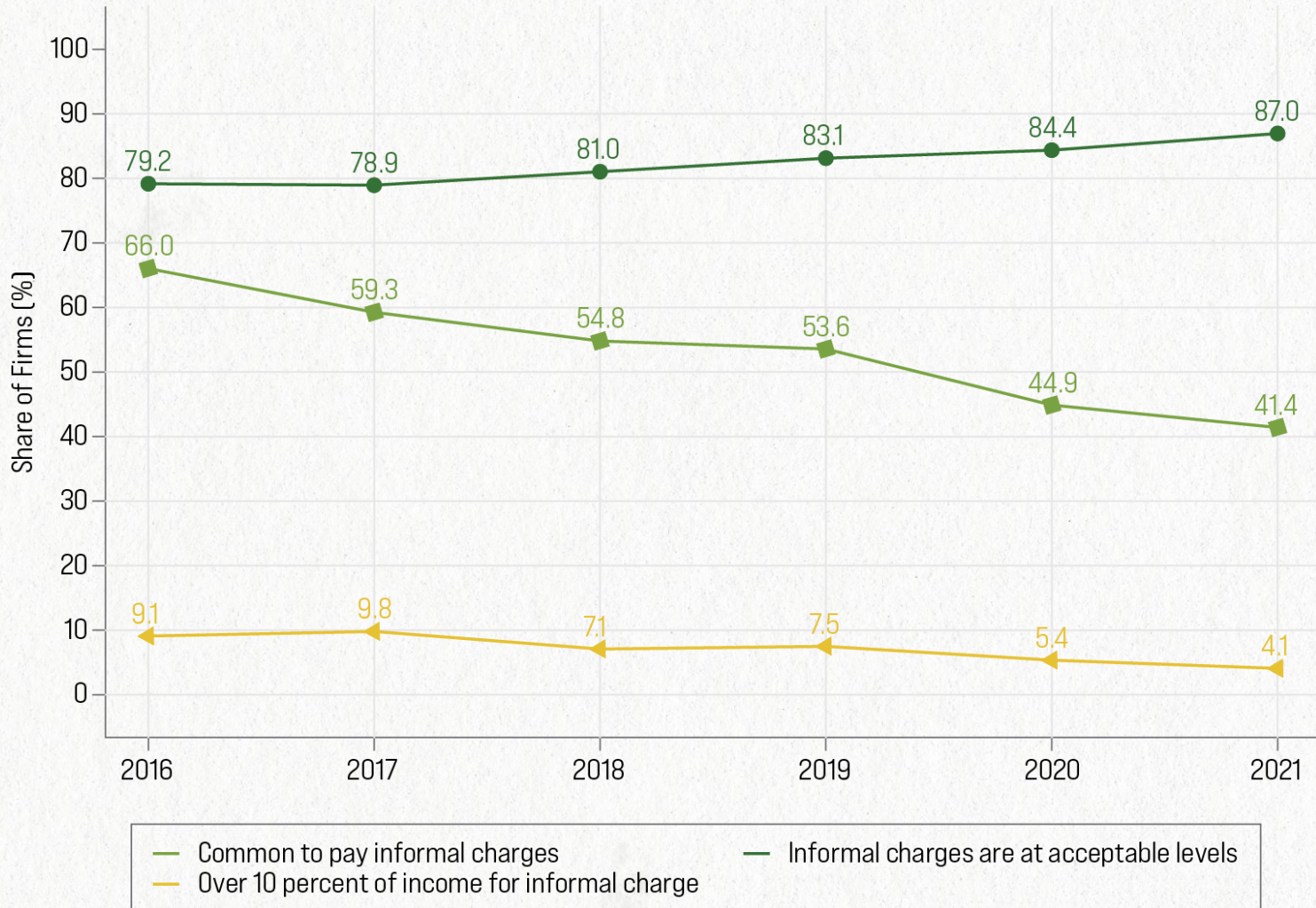
62 %

of firms said that provincial governments have positive attitude towards private business



### #3. INFORMAL CHARGES CONTINUE TO DECLINE IN MANY AREAS

## Anticorruption drives positive changes



27.7 % [2020] → **20.9** % [2021]  
of firms paying informal charges to  
**inspectors**



40.0 % [2020] → **36.8** % [2021]  
of firms agreeing "a commission is  
necessary to win **procurement**  
contracts"



23.0 % [2020] → **21.4** % [2021]  
of firms agreeing "offering bribes to  
**solicit favorable judgements** is  
common"



### #3. INFORMAL CHARGES CONTINUE TO DECLINE IN MANY AREAS

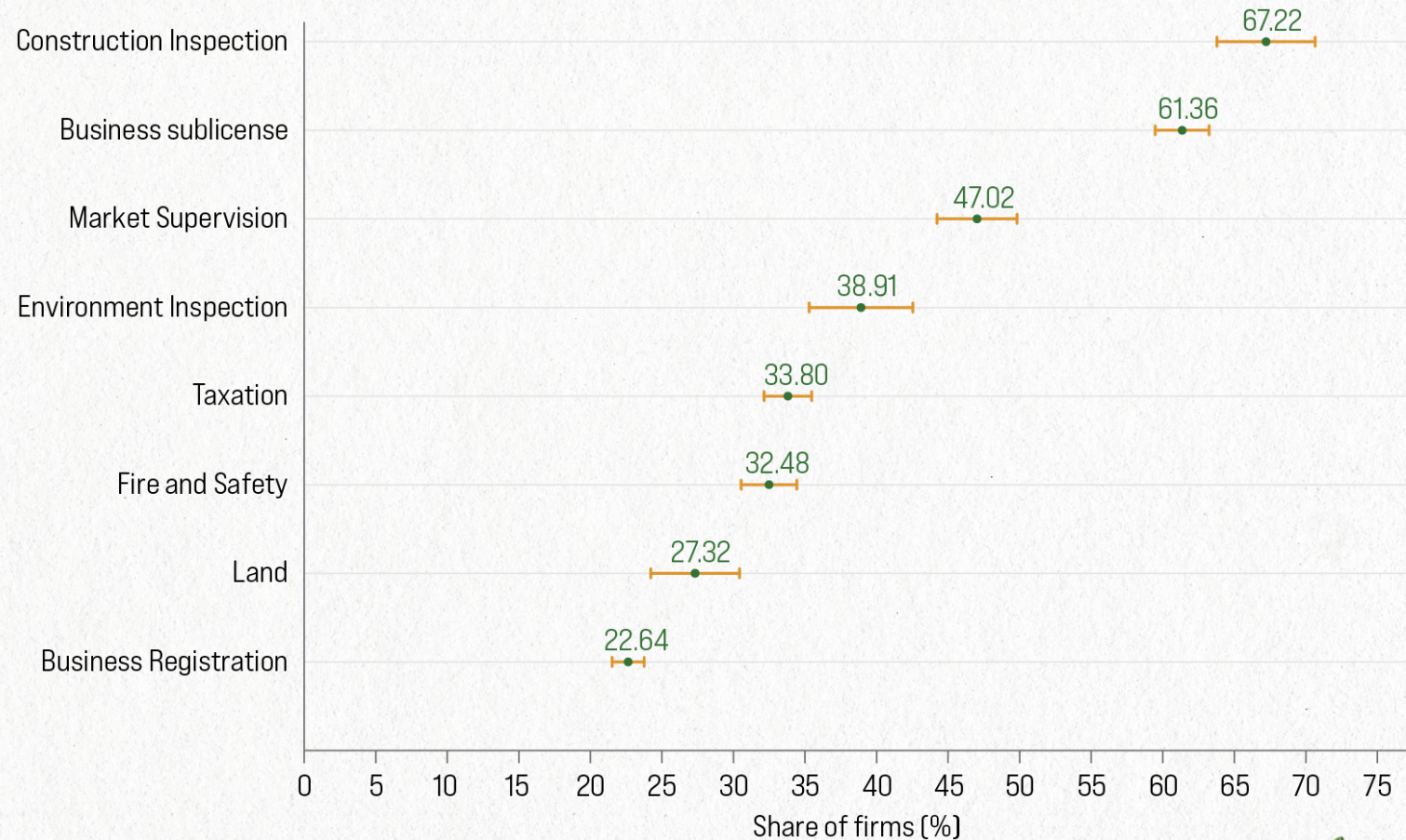
## Challenges remain in specific areas



57.4%

of firms believed rent-seeking phenomenon is popular in handling administrative procedures

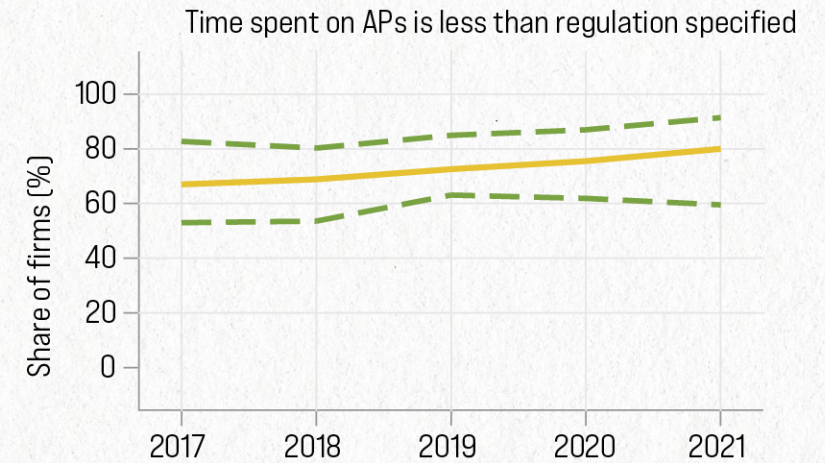
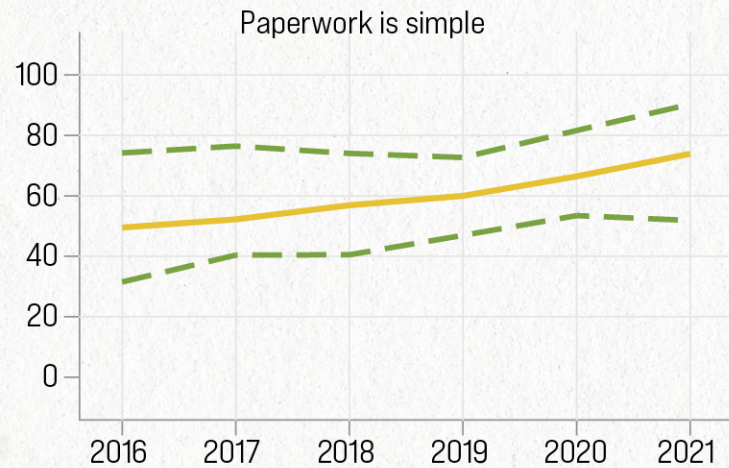
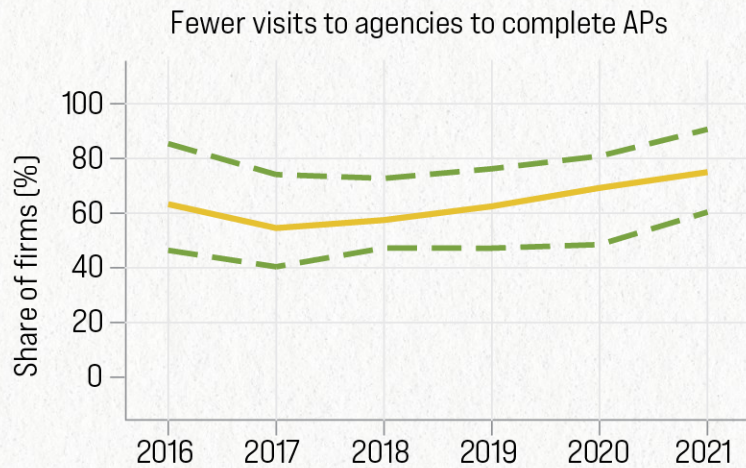
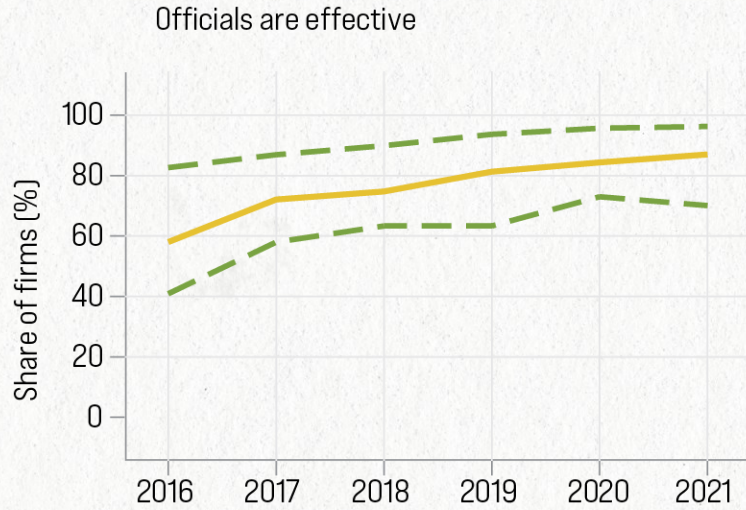
Areas Where Informal Charges Remain Prevalent





#4. EFFICIENCY OF ADMINISTRATIVE PROCEDURES IMPROVED, BUT MORE REFORM EFFORTS ARE STILL NEEDED

# Efficiency of administrative procedures are rated positively by firms.

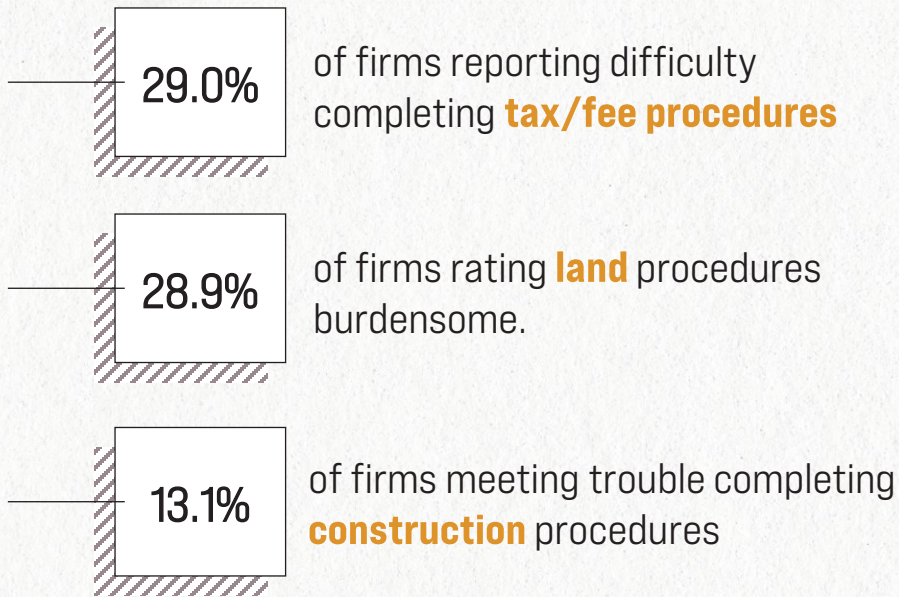


■ Median   
 - - - Max   
 - - - Min

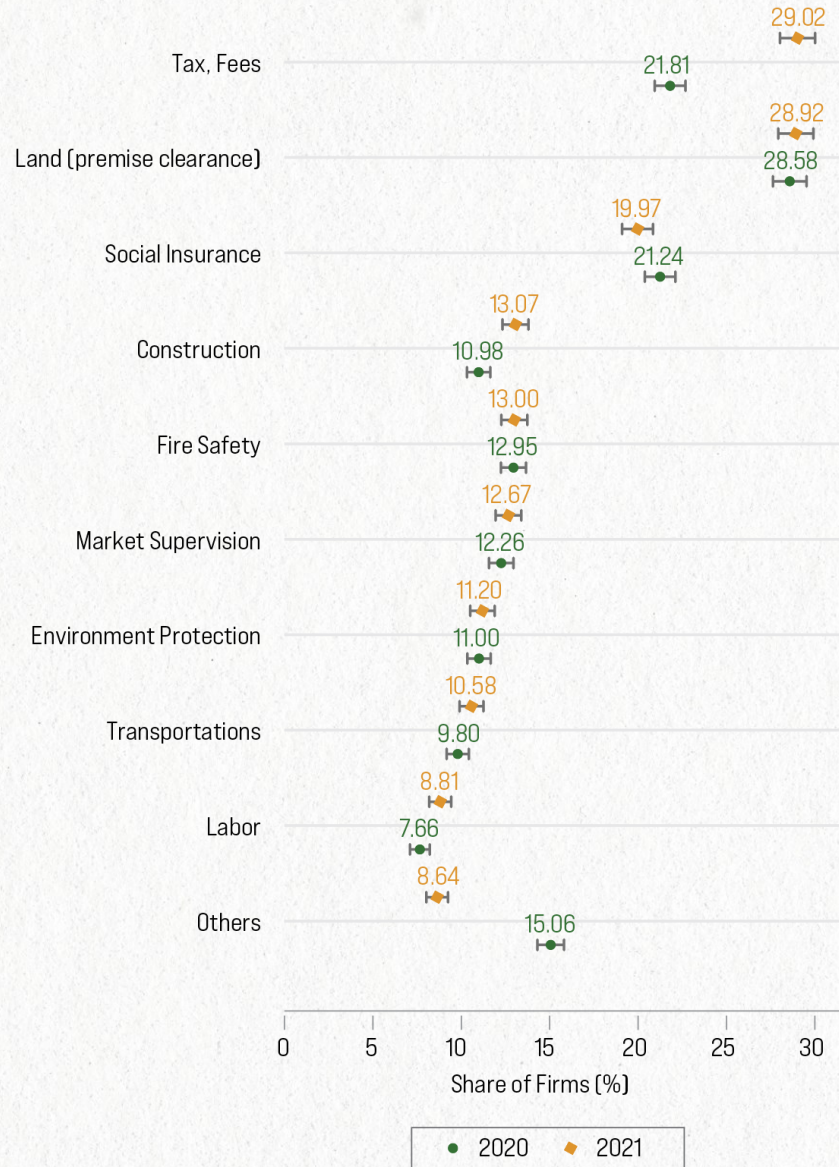


#4. EFFICIENCY OF ADMINISTRATIVE PROCEDURES IMPROVED, BUT MORE REFORM EFFORTS ARE STILL NEEDED

# Some areas are rated more burdensome than in 2020



Burdensome Administrative Procedures





## #5. COMPLIANCE WITH CONDITIONAL BUSINESS LICENSING PROCEDURES REMAINS BURDENSOME

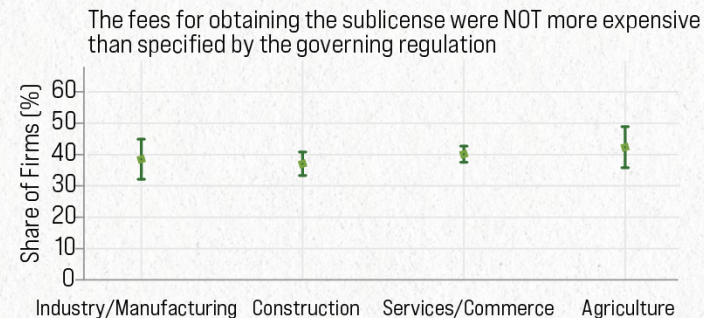
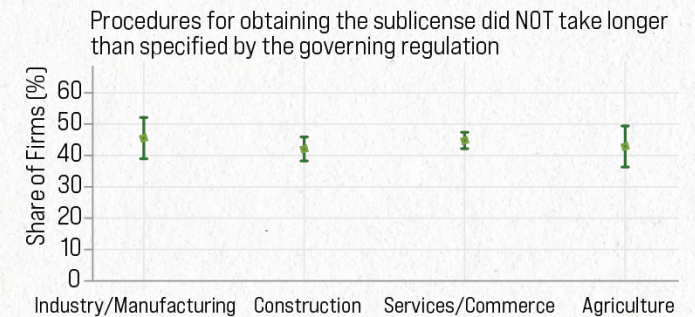
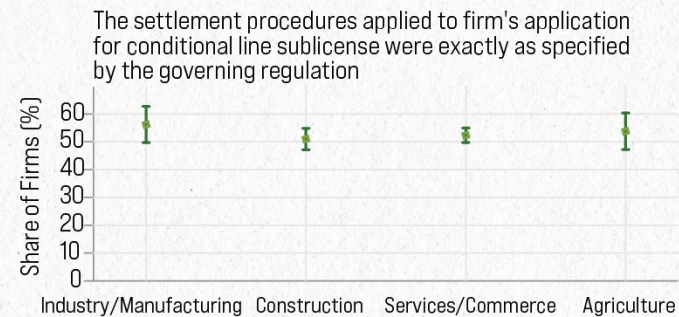
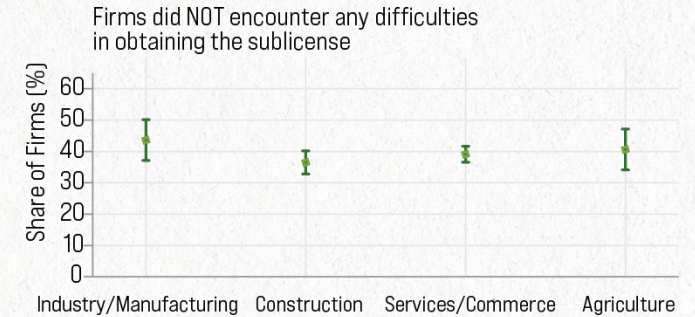
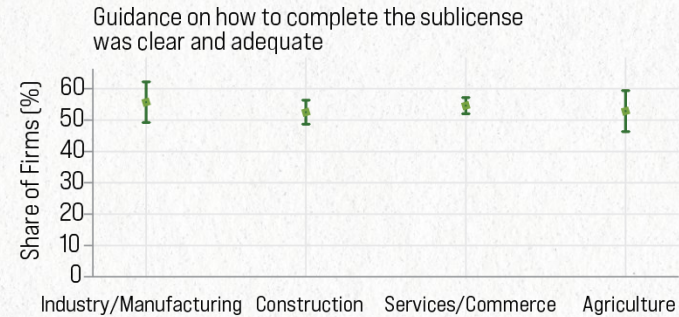
A sizeable number of firms still face obstacles in complying with conditional business licensing procedures



21.7%

of firms delaying or cancelling business plans due to encountered conditional business licensing obstacles.

Share of firms agreeing with each statement is under 60 percent

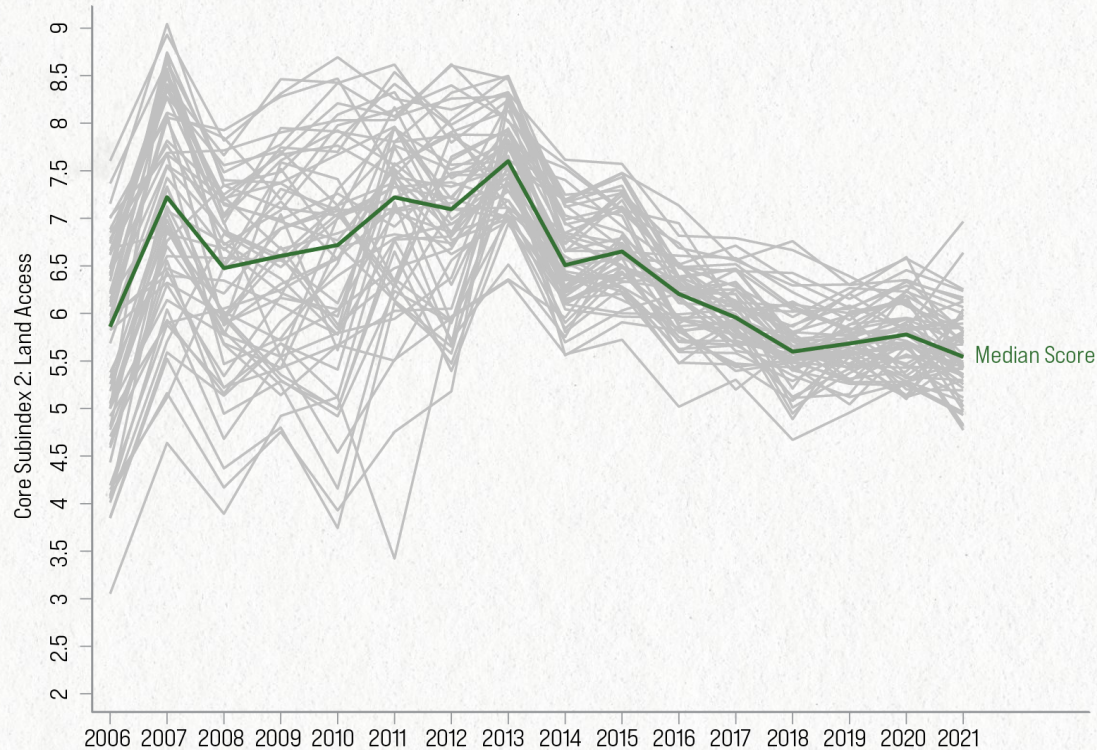




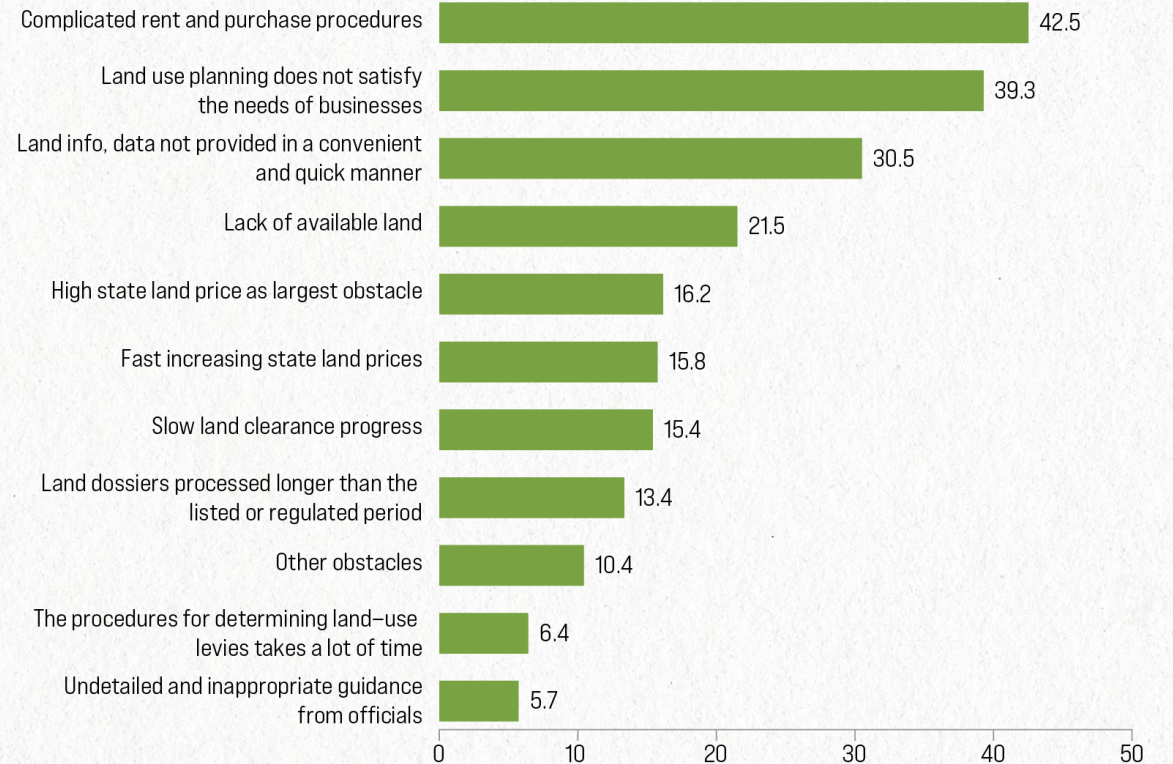
## #6. LAND ACCESS IS DECLINING

# Revision of the Land Law is necessary to address declines in land access

Land Access core indicators on a declining trend between 2013 and 2021



Obstacles in accessing land and complying with land procedures



**44.8%** of firms facing difficulty in expanding business premises.

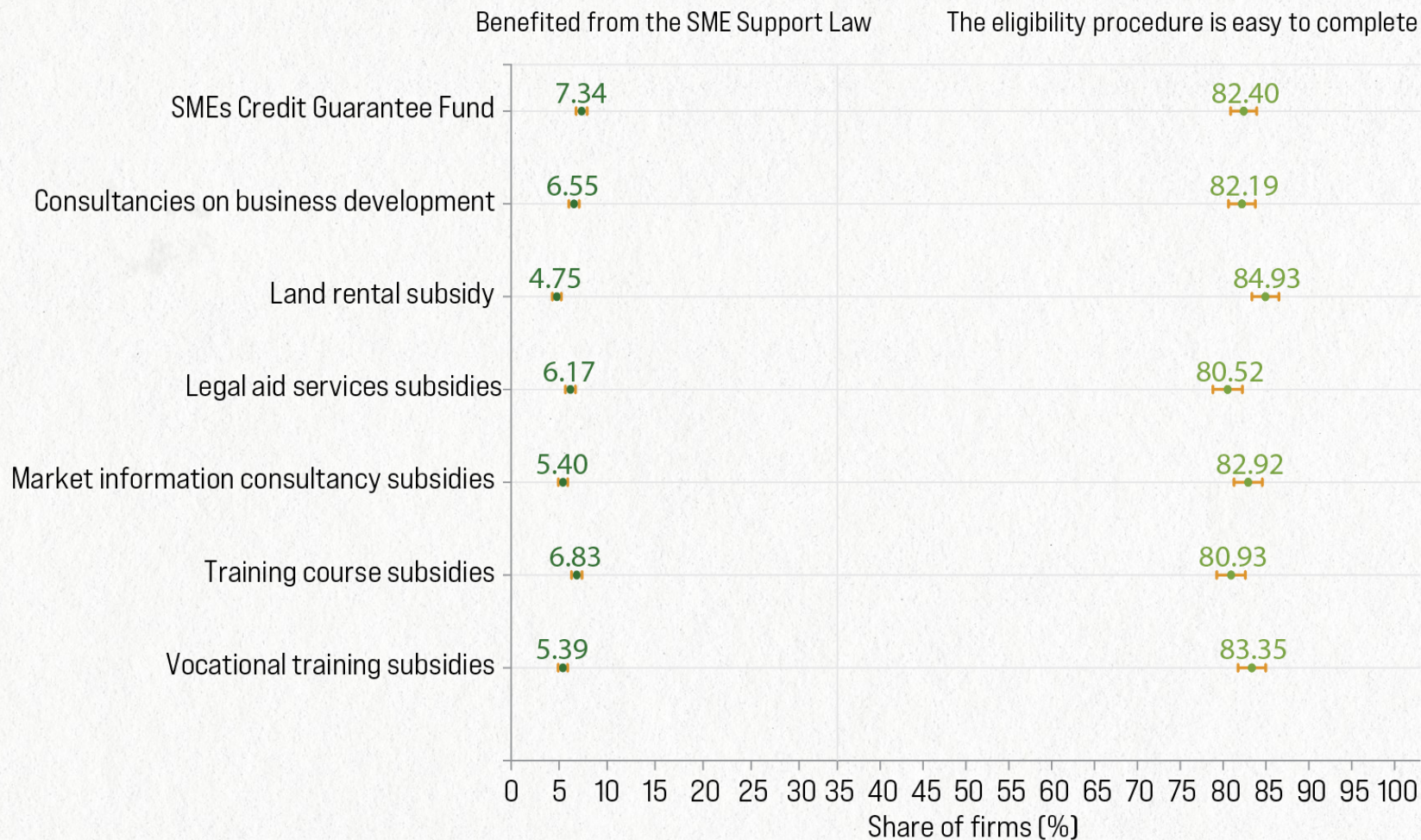
**29%** of firms believed in fair compensation if expropriated.

**53.8%** of firms delaying or cancelling business plans due to encountered land access obstacles



## #7. IMPLEMENTATION OF LAW ON SUPPORT TO SMALL- AND MEDIUM-SIZED ENTERPRISES PRODUCED MODEST RESULTS

# Fewer than 8 percent of firms benefitted from individual programs



Note: The share of firms assessing the ease of conducting eligibility procedures is calculated among firms which have previously reported receiving assistance under the SME Support Law.

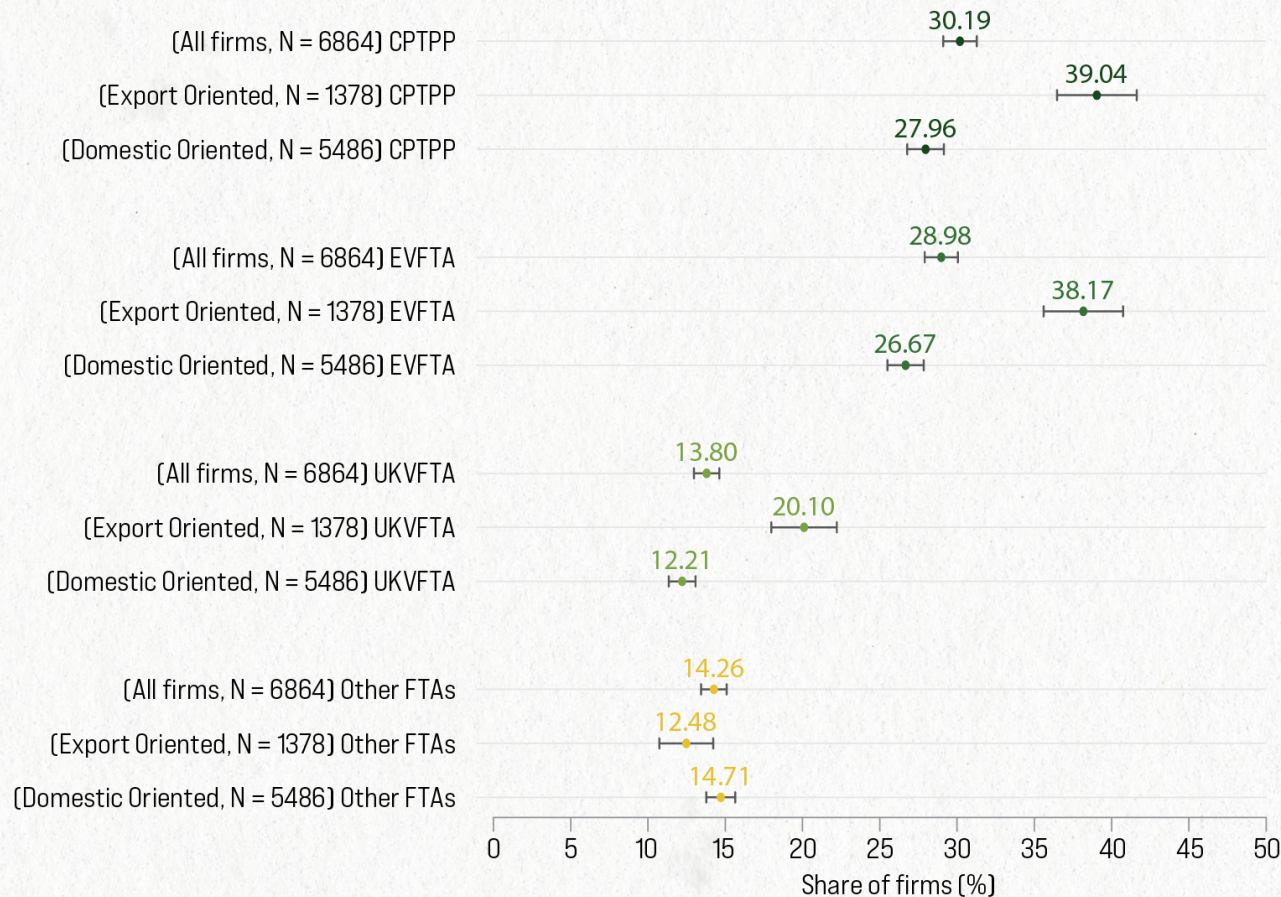




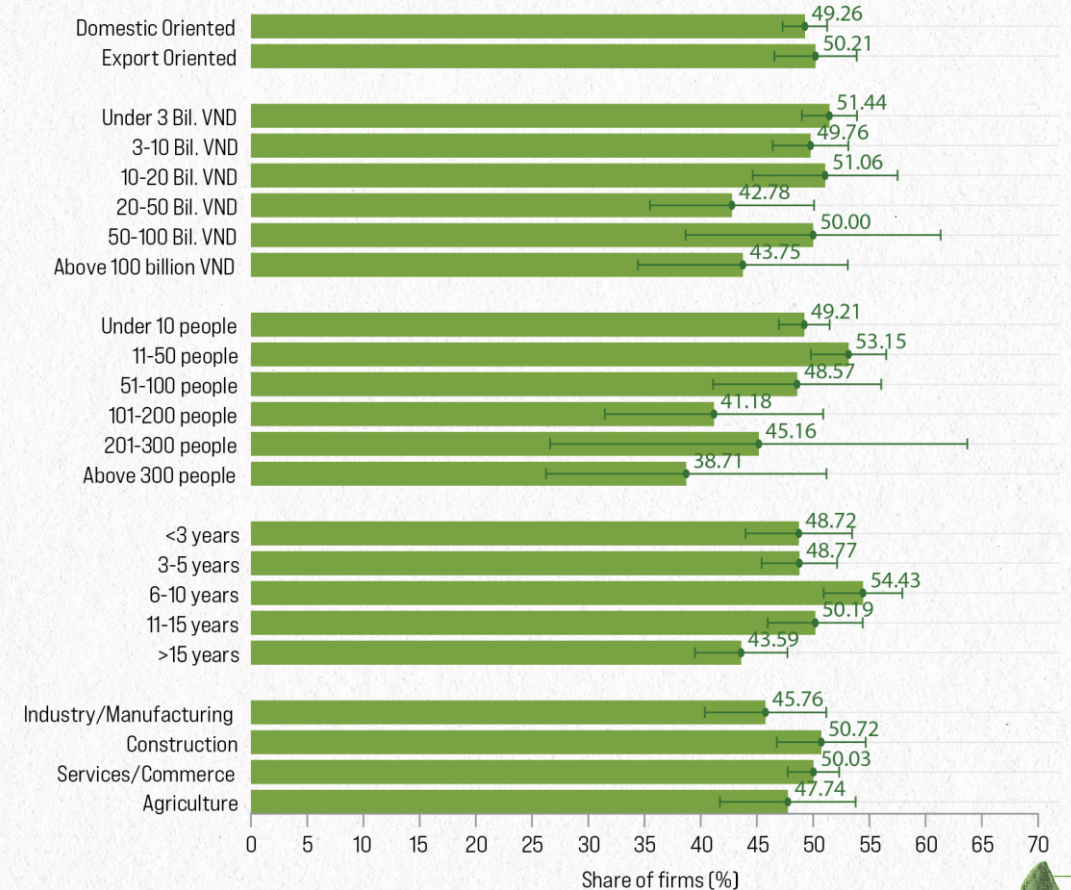
## #8. INFORMATION AND DISSEMINATION OF GUIDANCE TO FIRMS ABOUT INTERNATIONAL ECONOMIC INTEGRATION REMAINS WEAK

Effective information and dissemination of guidance are needed to help firms take advantage of FTA benefits


Level of familiarity with free trade agreements



49% of firms reporting difficulty complying with legal documents implementing FTAs





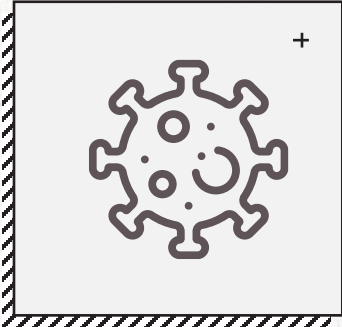
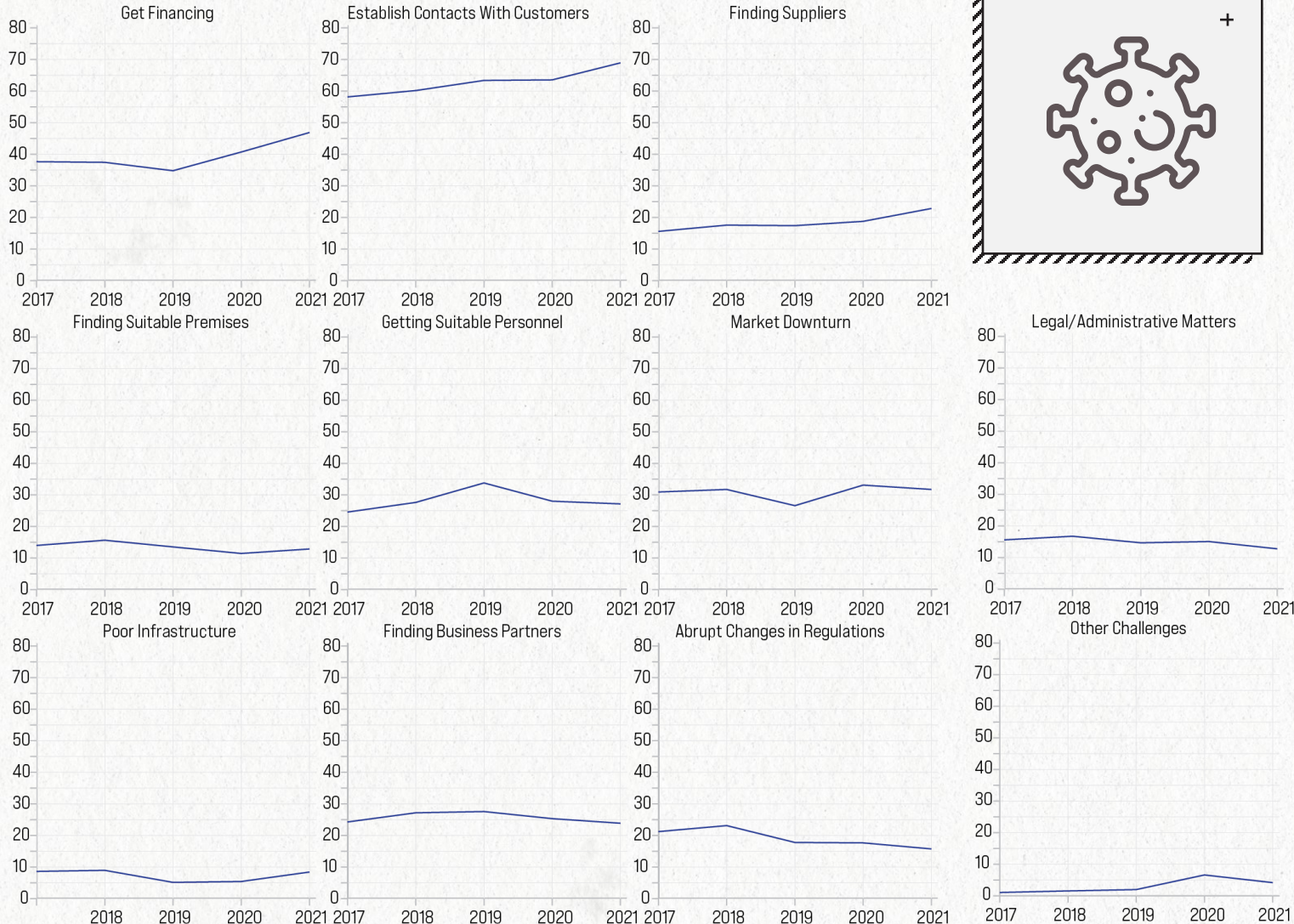
A painting of a village scene. In the foreground, there are rolling hills in shades of green and blue. A row of houses with dark roofs and light-colored walls stretches across the middle ground. To the left, two large, rounded trees with reddish-brown foliage stand prominently. To the right, more trees with green and blue foliage are visible. The background is a deep blue sky. The overall style is expressive and somewhat abstract, with visible brushstrokes and a rich color palette.

What Challenges  
were Facing Firms  
in 2021?

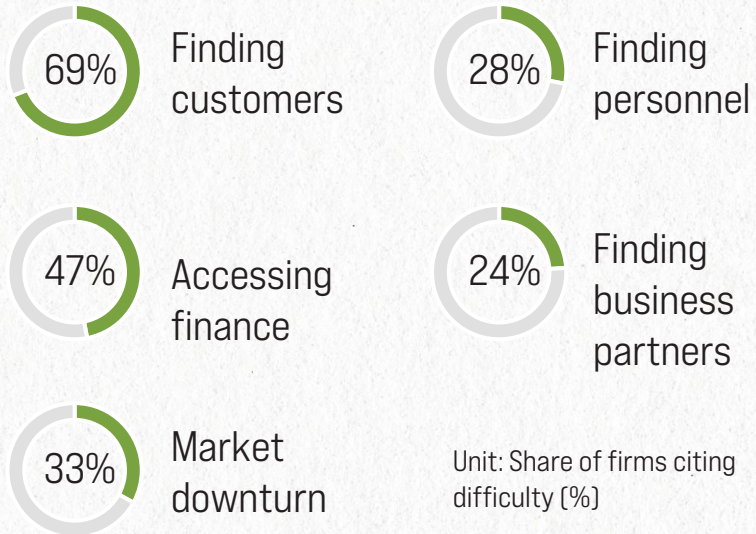


CHALLENGES FACING BUSINESS OPERATIONS IN 2021

# COVID-19 poses major challenges to business operations



## Top 5 challenges

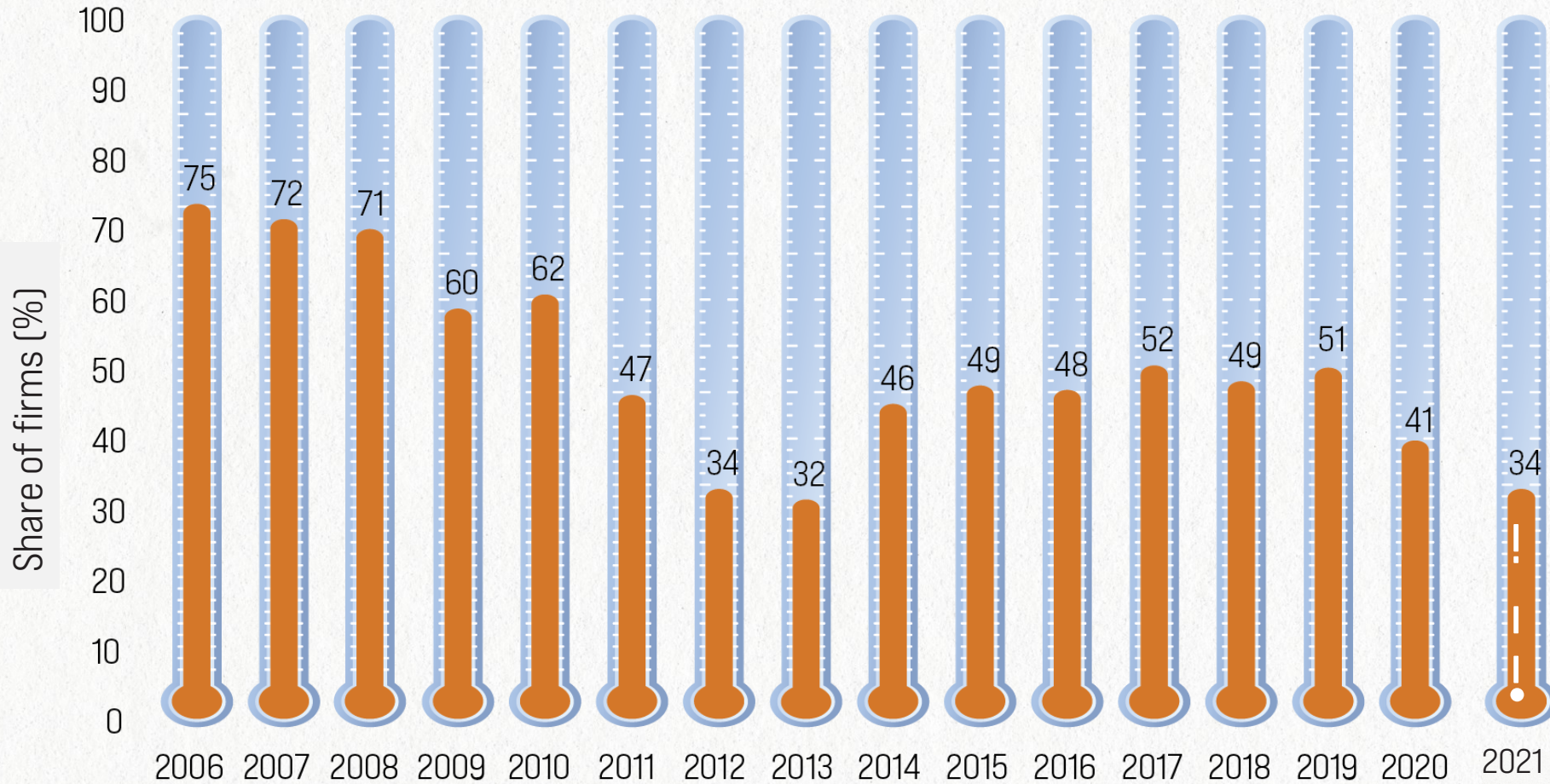


Unit: Share of Firms [%]



## BUSINESS CONFIDENCE

# Only 34 percent of firms plan to expand in next two years



16.59%

For the time, as many as 16,59% of firms reported planning to decrease or close operation – the highest level in the PCI history.



## SUMMARY OF KEY FINDINGS

1 Local governments continue to promote proactivity and private sector support. Some core indicators of Proactivity record highest level of firm approval since 2006.

2 Anticorruption drive producing positive changes. The share of firms paying informal charges is on a decline. However, informal charges remain a challenge in several areas critical to business operation.

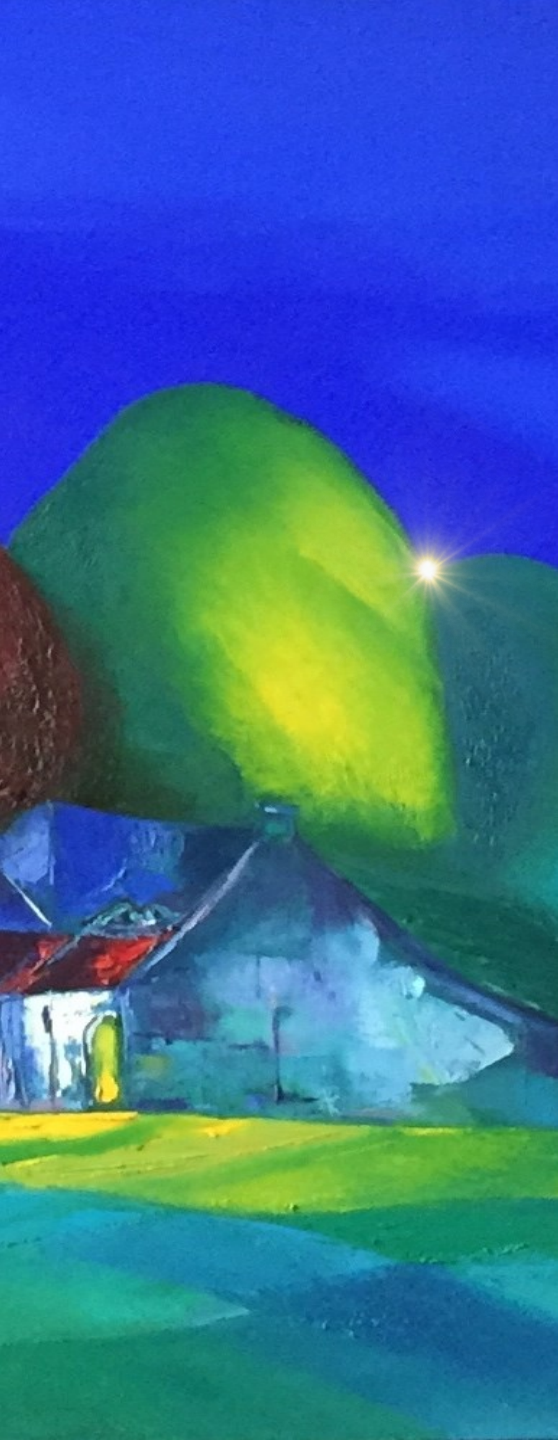
3 The efficiency of administrative procedures improved, leading to a reduced compliance burden. More reform efforts are needed to simplify procedures in tax, land, construction, and conditional business licensing.

4 Access to land and business premises remain an obstacle leading to firms delaying or cancelling business plans. Revision to the Land Law is necessary to lift bottlenecks in this important resource.

5 Only a small share of firms benefitted from programs under the Law on Support of Small- and Medium-sized Enterprises. Ministries and provincial governments should implement effectively and timely programs to facilitate business recovery, especially after the COVID-19 crisis.

6 Information and dissemination of guidance, and quality of legal documents implementing FTAs should be improved to help firms best take advantage of FTA benefits.





# THE FUTURE OF PCI

The need to shift to **green economic development** is becoming increasingly critical, given Vietnamese people's increasing consciousness about environmental protection, and Vietnam's zero emission commitment.

In this context, **how can PCI contribute** to promote Vietnam's shift towards green economy?





## The Provincial Green Index (PGI)

# THE PROVINCIAL GREEN INDEX

PGI measures business perceptions of provincial environmental governance, the level of readiness to make green investments at provinces, and promotes environmental friendly behavior and practices by businesses.

1

**Goals:** Provide evidence on environment quality, support provinces in screening investment projects. Create a motivation to promote green investments by businesses.

2

**Mechanism:** Engage private sector support, VCCI, USAID and Suntory PepsiCo Viet Nam are the founding partners of the PGI 2022-2024.

3

**Activity:** PGI will be implemented from 2022 as a part of PCI. Projected main activities: Development of the PGI, survey rollout, analyses of data, report write-up, dissemination of PCI to provinces.



**GREEN  
INDEX**







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# THANK YOU!

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