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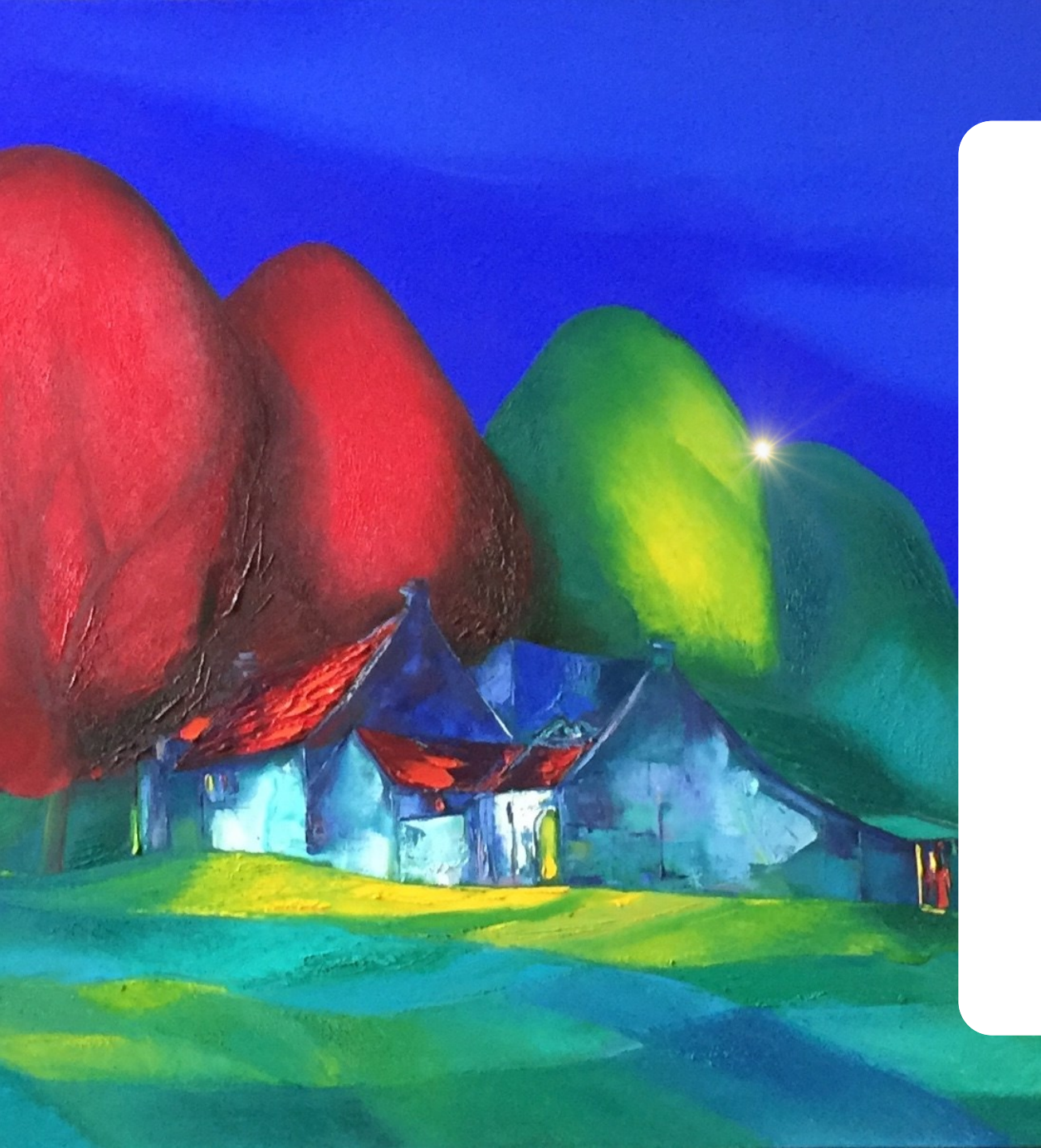
Results of the PCI Survey of Foreign Direct Investors and Special COVID-19 Module

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PCI
SINCE 2006

PCI 2021



PCI 2021

FOREIGN DIRECT INVESTOR SURVEY

Who answers the PCI-FDI survey?

Business confidence improving

Regulatory burden increasing slightly

Anticorruption perceptions plateauing

Satisfaction with labor increasing

Perceptions of infrastructure improving

IMPACT OF COVID-19

Different businesses, different needs

Effects on performance

Future prospects

Government responses

Business responses

Drivers of survival

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PCI-FDI Survey

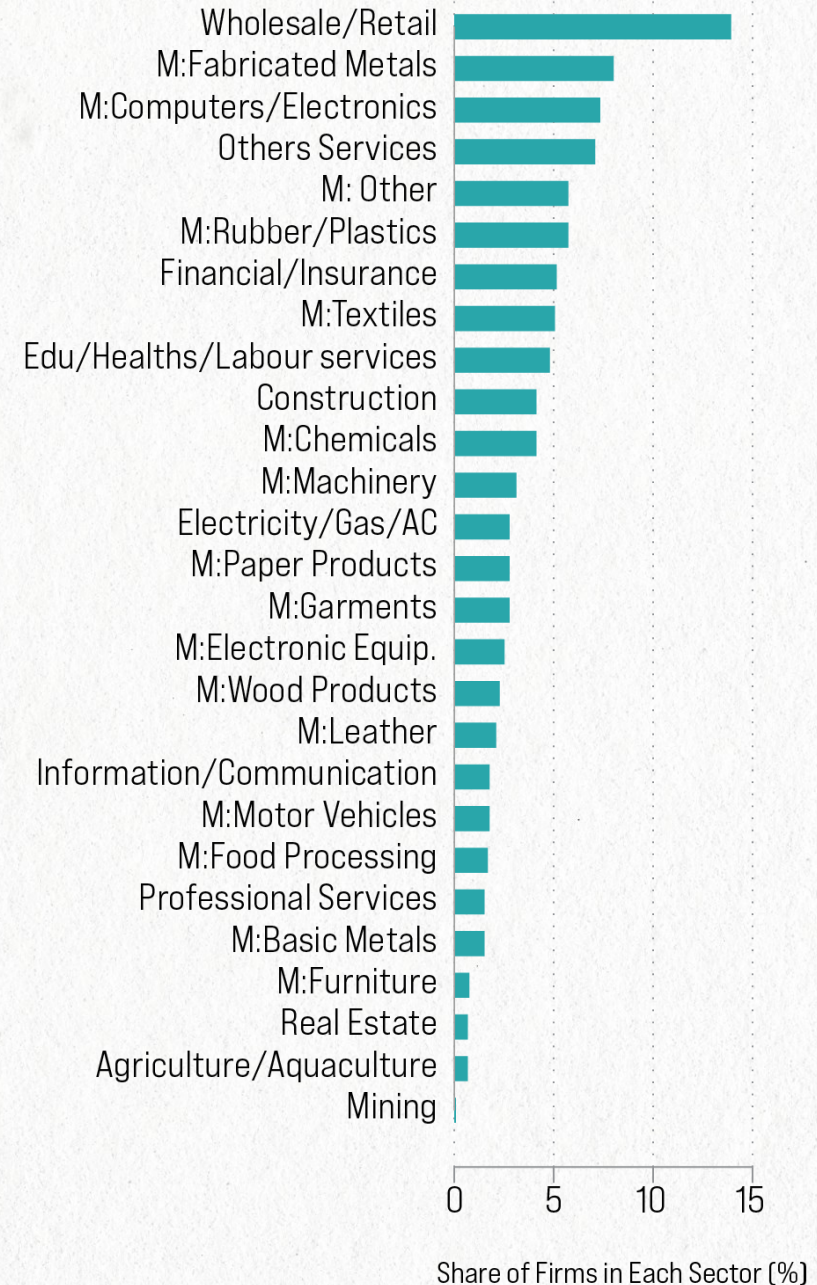
- Who answers the PCI-FDI survey?
- Main findings:
 - Business confidence improving
 - Regulatory burden increasing slightly
 - Anticorruption perceptions plateauing
 - Satisfaction with labor increasing
 - Perceptions of infrastructure improving



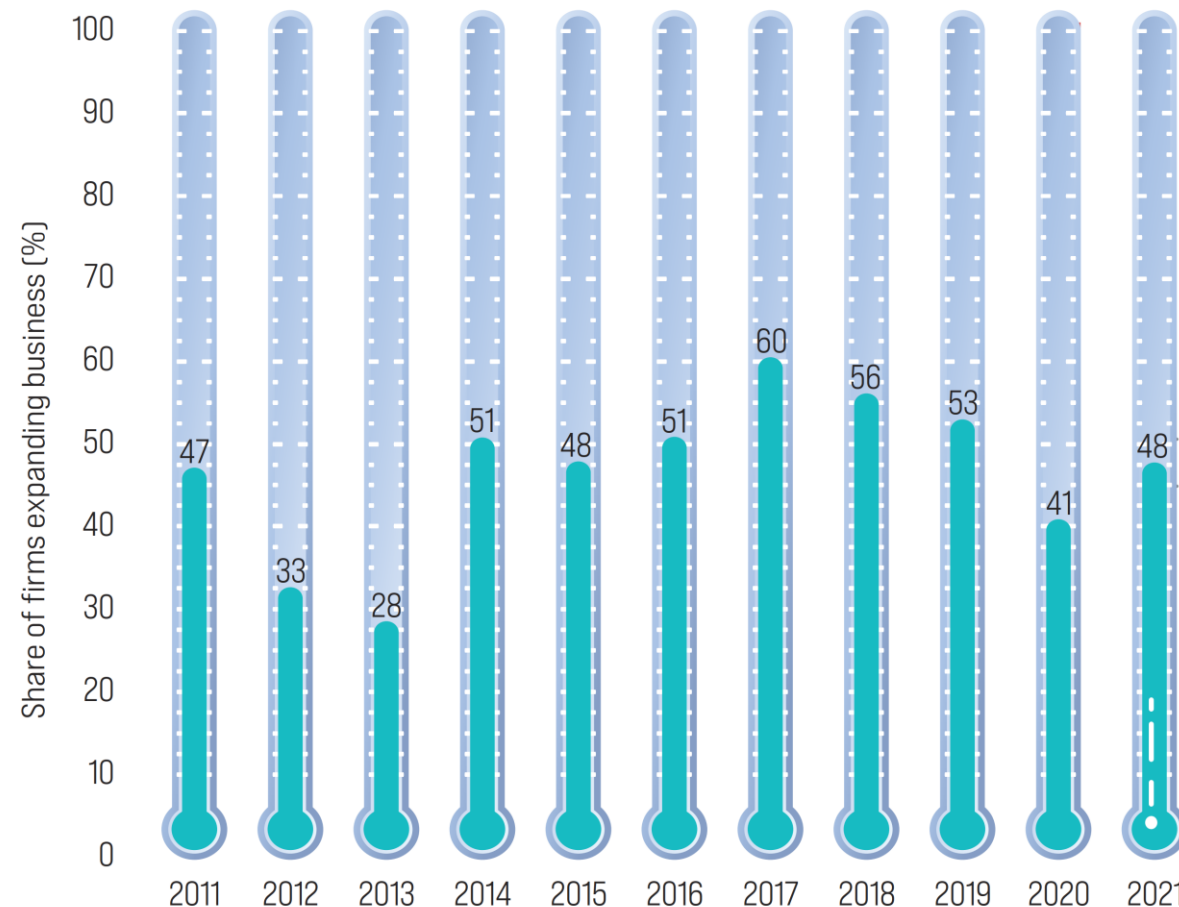
Foreign Direct Investors

- Funded by **USAID** and managed by **Vietnam Chamber of Commerce and Industry (VCCI)**
- Annual Survey from **2010 to 2021**
- **1,185 foreign firms**
 - 47 countries
 - 22 provinces with large enough investment to sample to analyze
- **Representative samples by province and sectors**
 - 57.4% Manufacturing
 - Food, Metals, plastics, computers/electronics, garments
 - 35% Service/Commerce
 - Wholesale/retail, finance, education/health/labor
- **Most investors medium or small sized**
 - 80% < 100 employees; 28% < 10 employees
 - 76% < \$US 10M equity; 52% < US 2.5 M equity
- **27% export home; 31% export to 3rd country**

Rapid Increase in Share of High-Tech Investment



Business Thermometer Shows Foreign Investor Confidence Returning



95% Confidence Interval

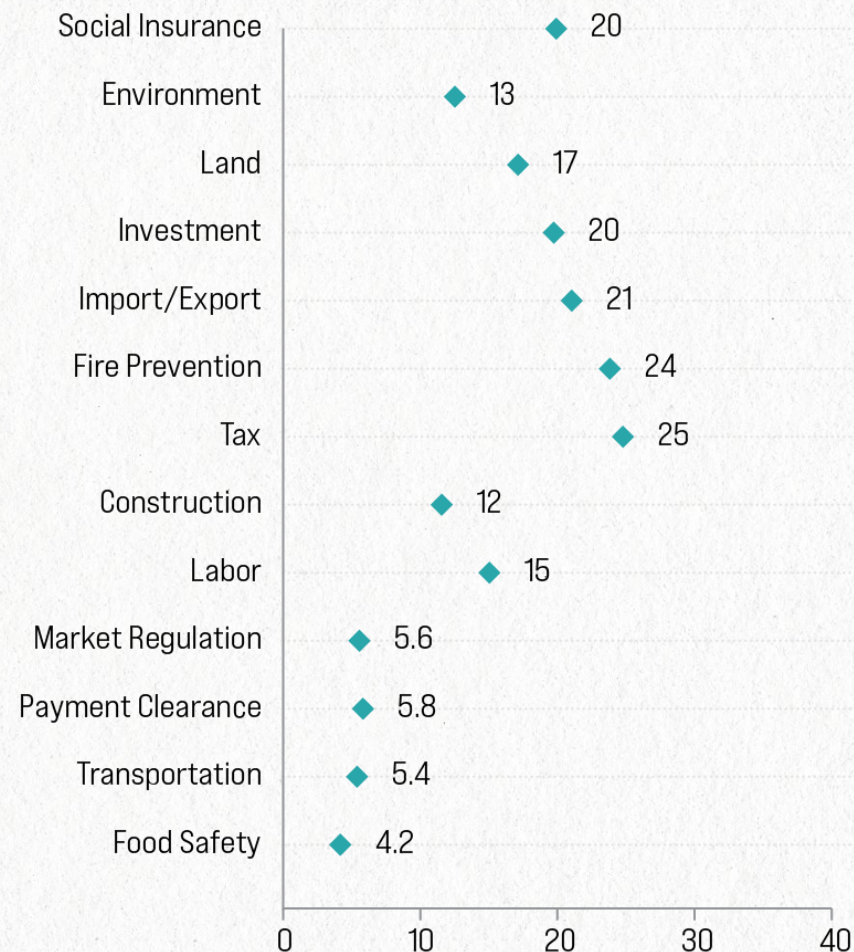
Source: PCI-FDI survey 2021, Question A.12 "Which statement best characterizes your firm's investment plans over the next 2 years?"

Burden of Regulatory Procedures Increased in Past Year for FIEs

Year	Over 5% of Time Spent on Bureaucratic Procedures (percent)	Inspection (Median)	Harassment (5+ Inspections (percent)	Days for Exports to Clear Customs (Median)	Days for Imports to Clear Customs (Median)
2010	56.6	2.00	19.9	1.00	2.00
2011	68.1	2.00	11.8	1.50	2.00
2012	79.4	2.00	12.9	2.00	2.00
2013	77.8	2.00	14.5	2.00	2.00
2014	70.2	2.00	17.5	1.00	2.00
2015	69.8	2.00	12.9	1.00	2.00
2016	71.9	2.00	23.8	1.00	2.00
2017	66.2	2.00	15.8	1.00	2.00
2018	42.6	2.00	9.8	2.00	2.00
2019	41.3	2.00	9.3	2.00	2.00
2020	32.9	1.00	6.3	1.00	2.00
2021	60.6	0.00	3.2	2.00	3.00

Source: PCI-FDI survey 2021, Question D1 "What percentage of senior management's time was spent to understand and comply with administrative procedures over the past year?", Question D6 "How many total times was your business inspected and examined in the last year?", Question K10.1 "On average, how long does it take to clear customs for your exported goods?", and Question K10.2 "If you import goods, on average, how long does it take you to clear customs?"

Most Burdensome Procedures (Share of Firms [%])



Reductions in Corruption Beginning to Plateau for Foreign Investors

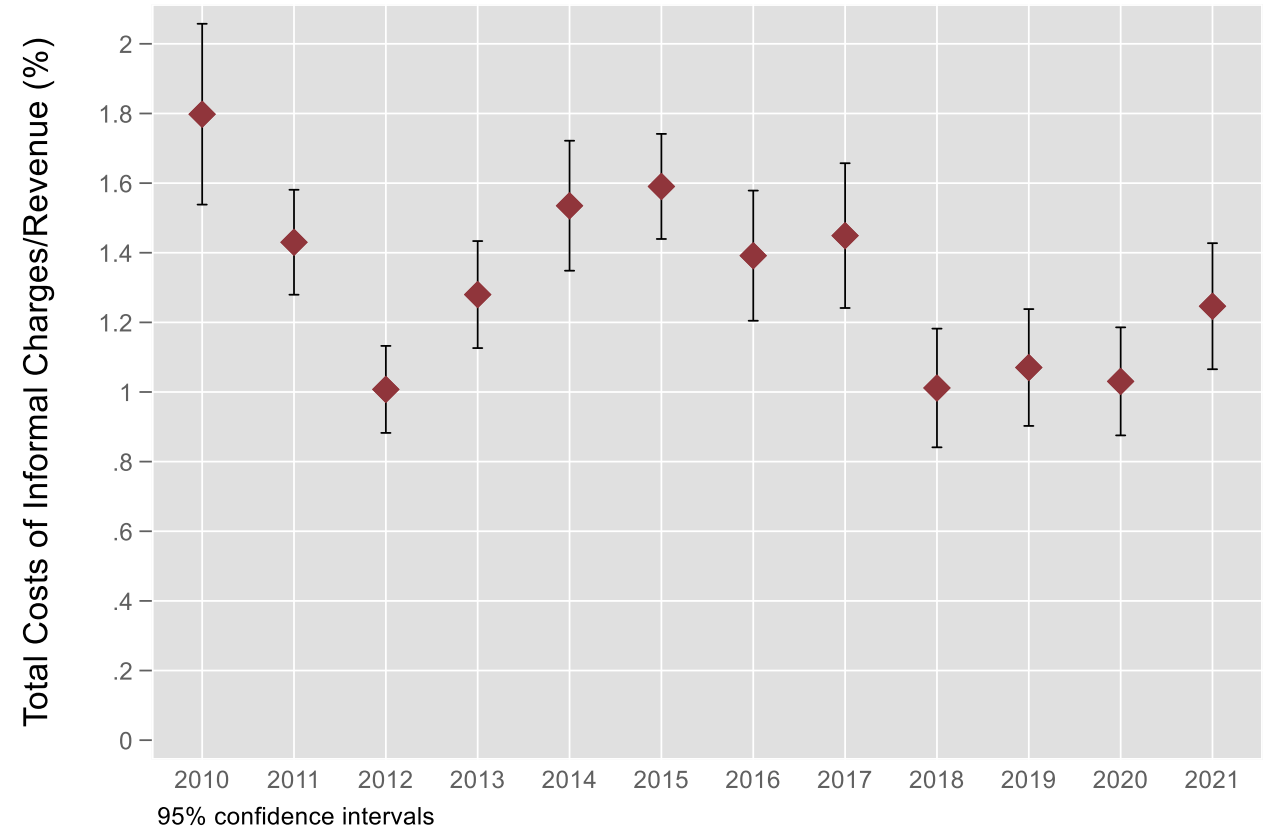
○ Petty-Bribery during Procedures

- 42% believe informal charges are common
- 19.2% paid informal charge during business registration, 14.3% during re-registration
- 25% paid bribes to regulatory inspectors
- 21% paid bribes during land procedures
- 18.2% believe bribes common in courts
- 39% paid bribes to bank staff
- 38.9% paid bribes during customs procedures

○ Predictability of Bribes

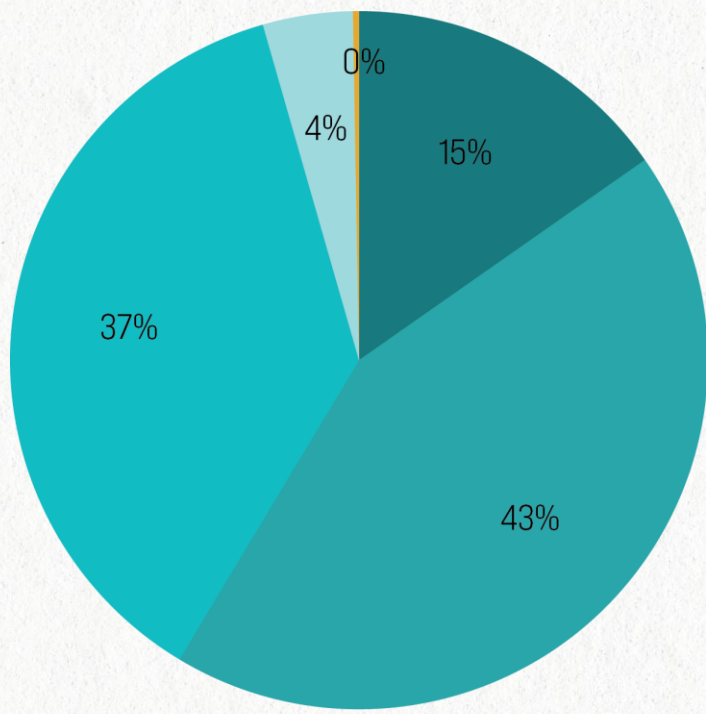
- 30% believed they know the amount of bribe payment in advance
- 60.4% of firms agreed that service is delivered after bribe payment.

Declining Trend in Cost of Bribery Stopped



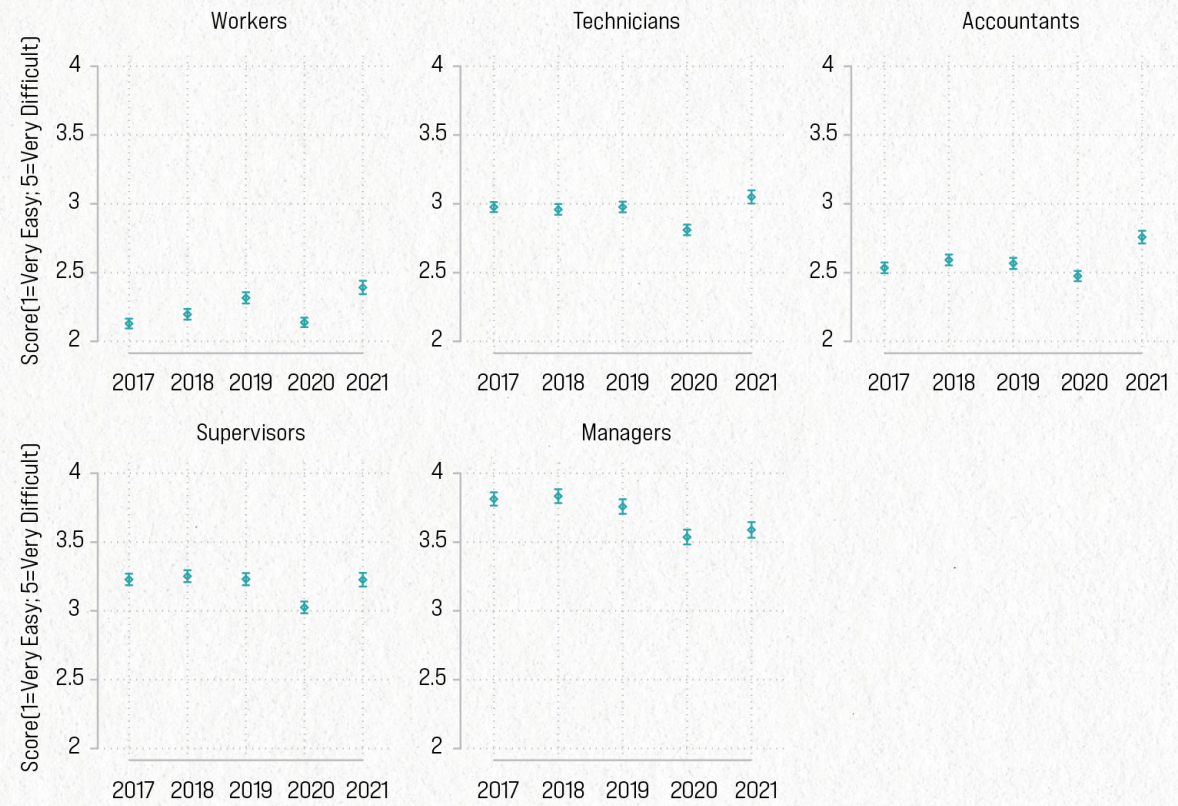
Satisfaction with Labor Quality Increasing

Most FIEs Believe Labor Meets Needs



- Completely
- Considerably
- Moderately
- Slightly
- Not at all

Skilled Technicians and Managers Still Hard to Find

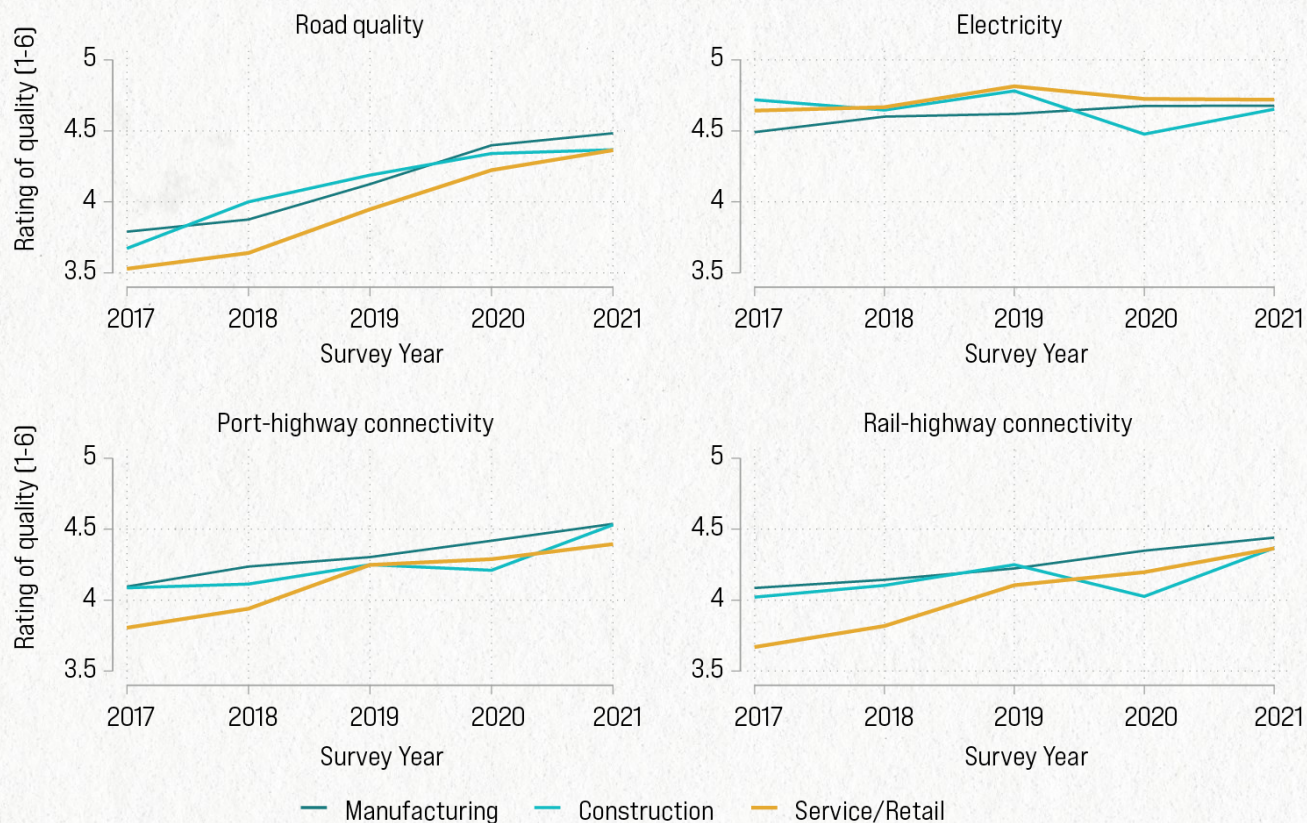


95% confident intervals

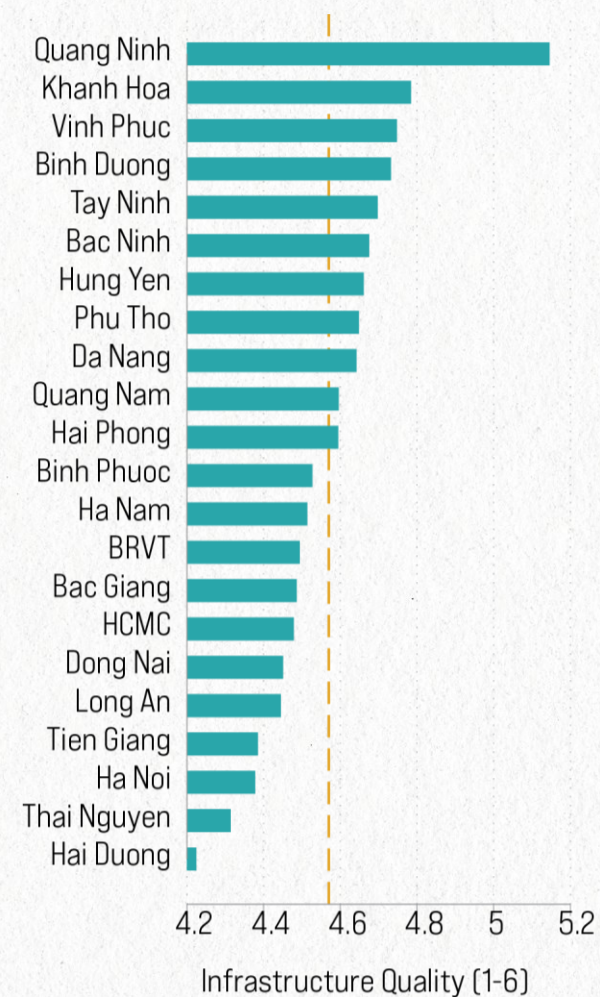
Source: PCI-FDI survey 2021, Question E.7.1 "Please rate the easiness level in recruitment of the following groups of labor at your firm." The graphs present firm assessment of difficulty in recruiting workers groups in the 2017-2021 period.

Infrastructure Improvements Stimulating Investment

FIES of All Sectors Perceive Infrastructure Improvements



FIE Infrastructure Ratings by Province



Source: PCI-FDI survey 2021, Question E.2 "How do you rate the overall quality of these public services in the province?"

COVID-19 Module

Special Investigation of COVID Impact

Main findings

- Different businesses, different needs
- Impact on performance
- Future prospects
- Government responses
- Business responses
- Drivers of survival



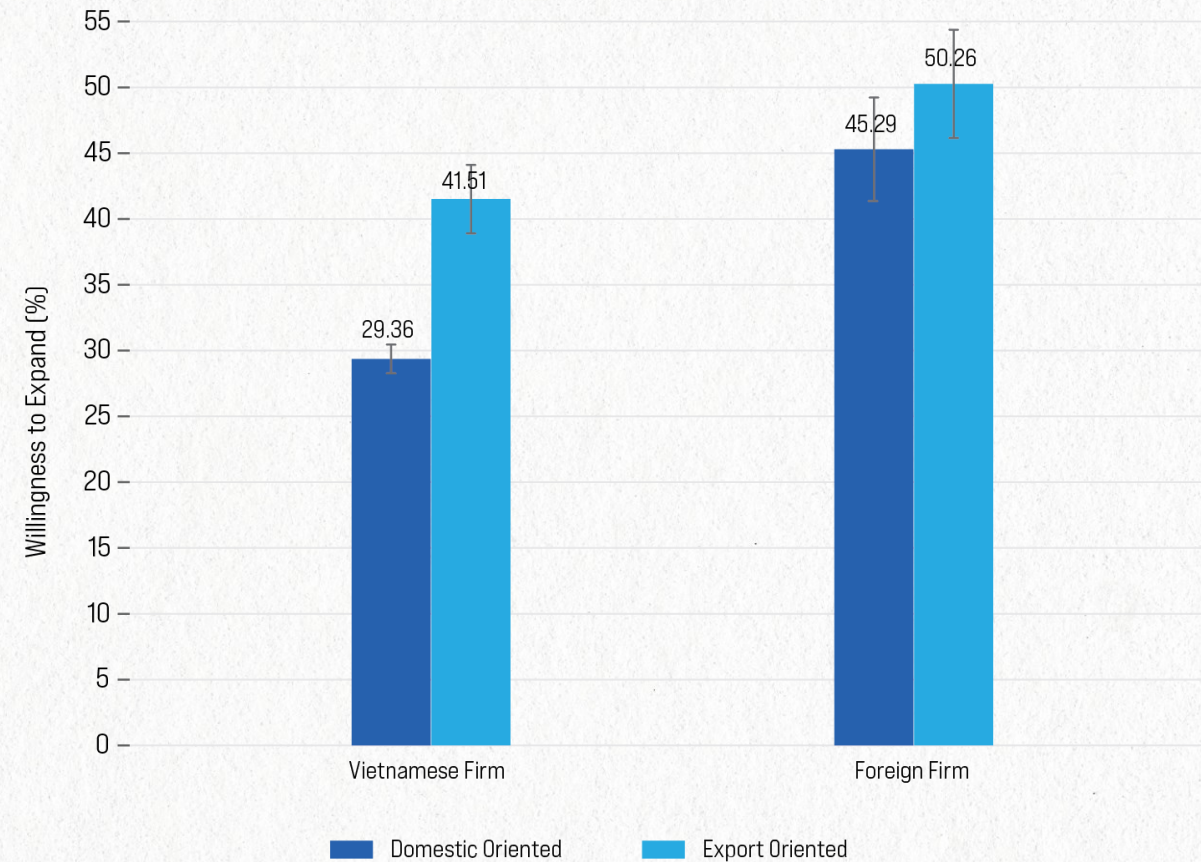
COVID-19 Impact Varied Strongly by Investor Type

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)

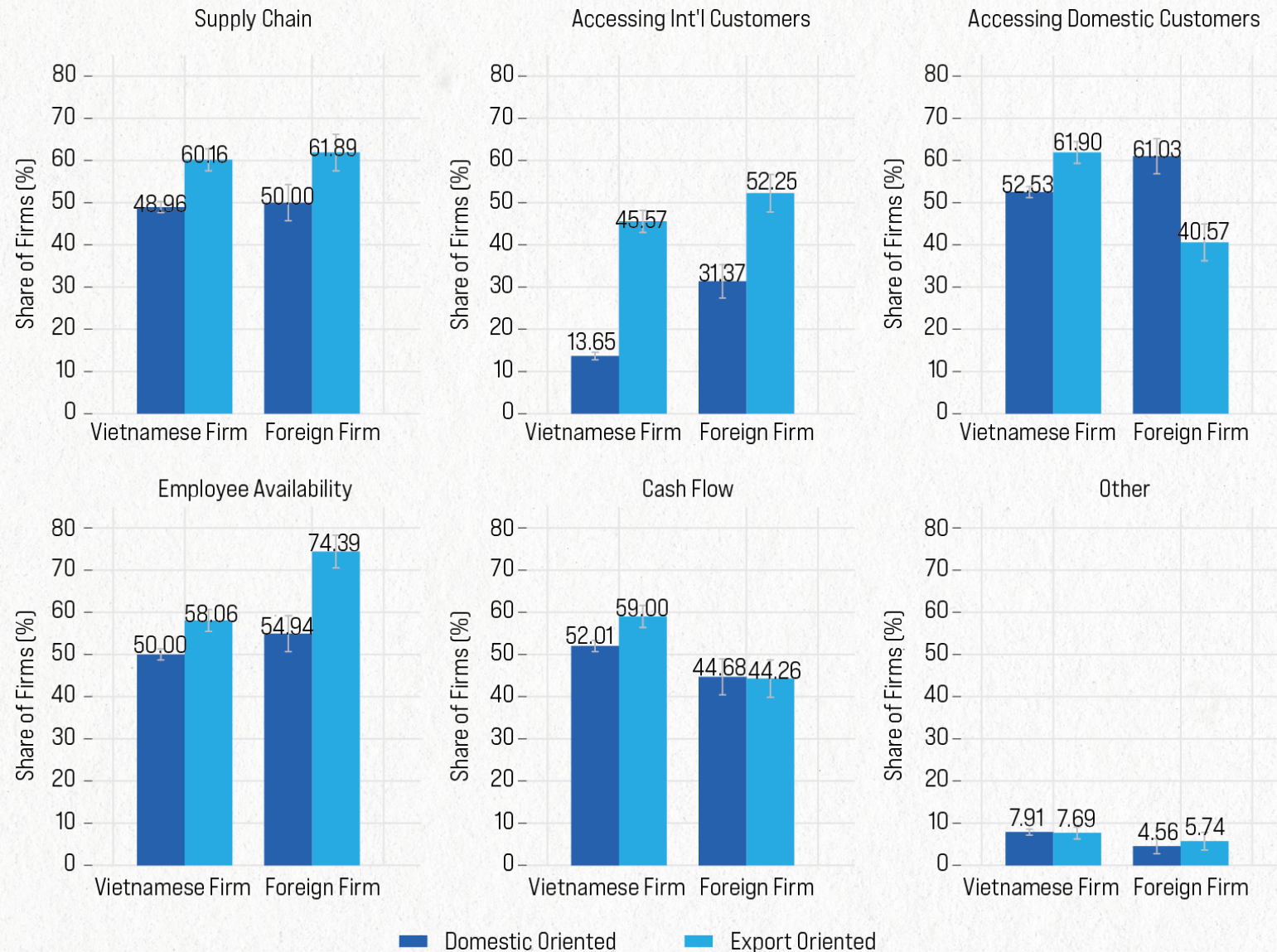
Source: PCI and PCI FDI Survey 2021. Average by category displayed with 95 percent confidence interval in parentheses. Vietnamese firms are classified as those that answered the PCI domestic survey, Foreign firms are those that answered the PCI-FDI survey. Export orientation derived from Question A11 "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

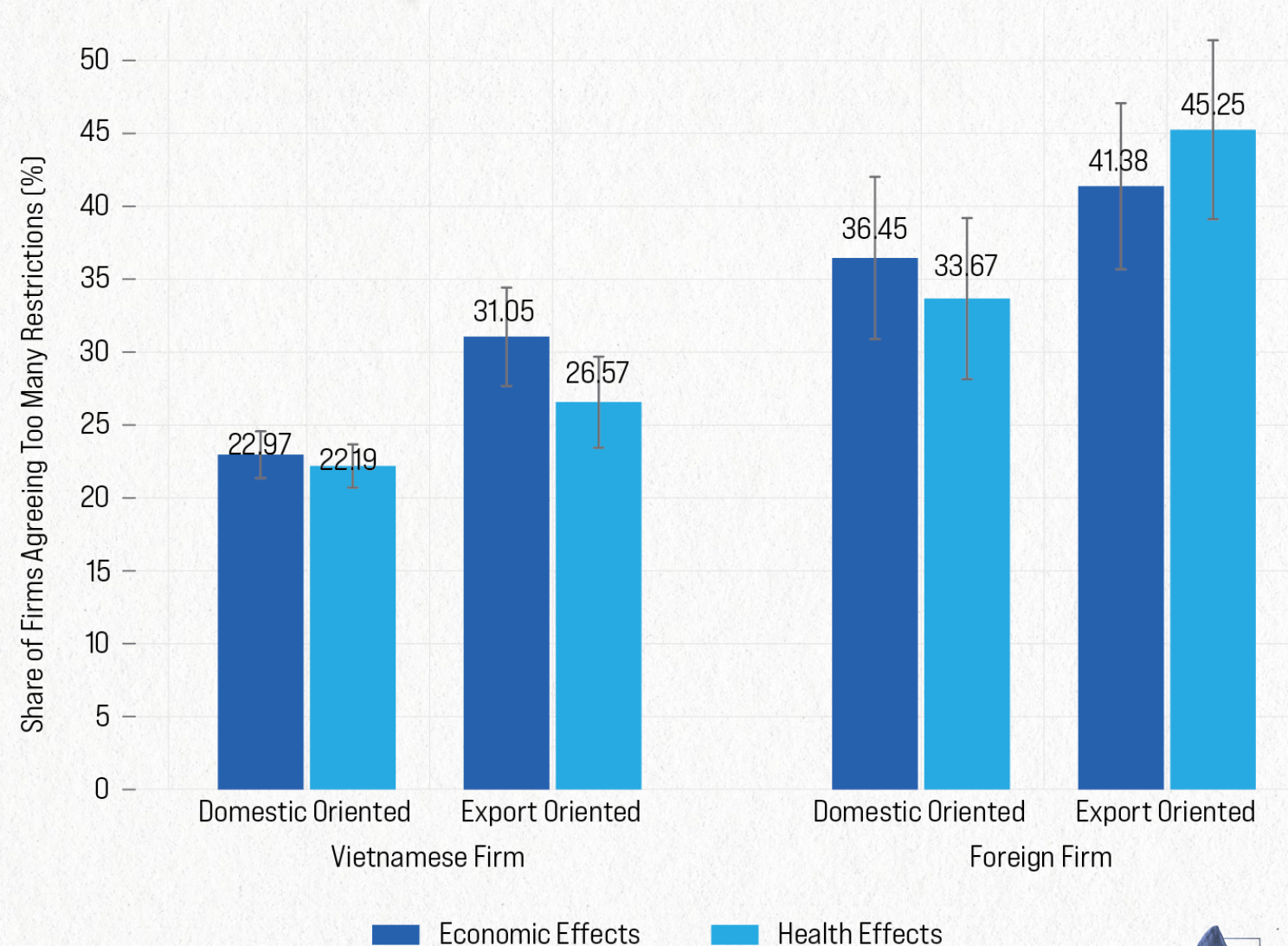


Exporters threatened by supply chain hold-ups and labor disruption.

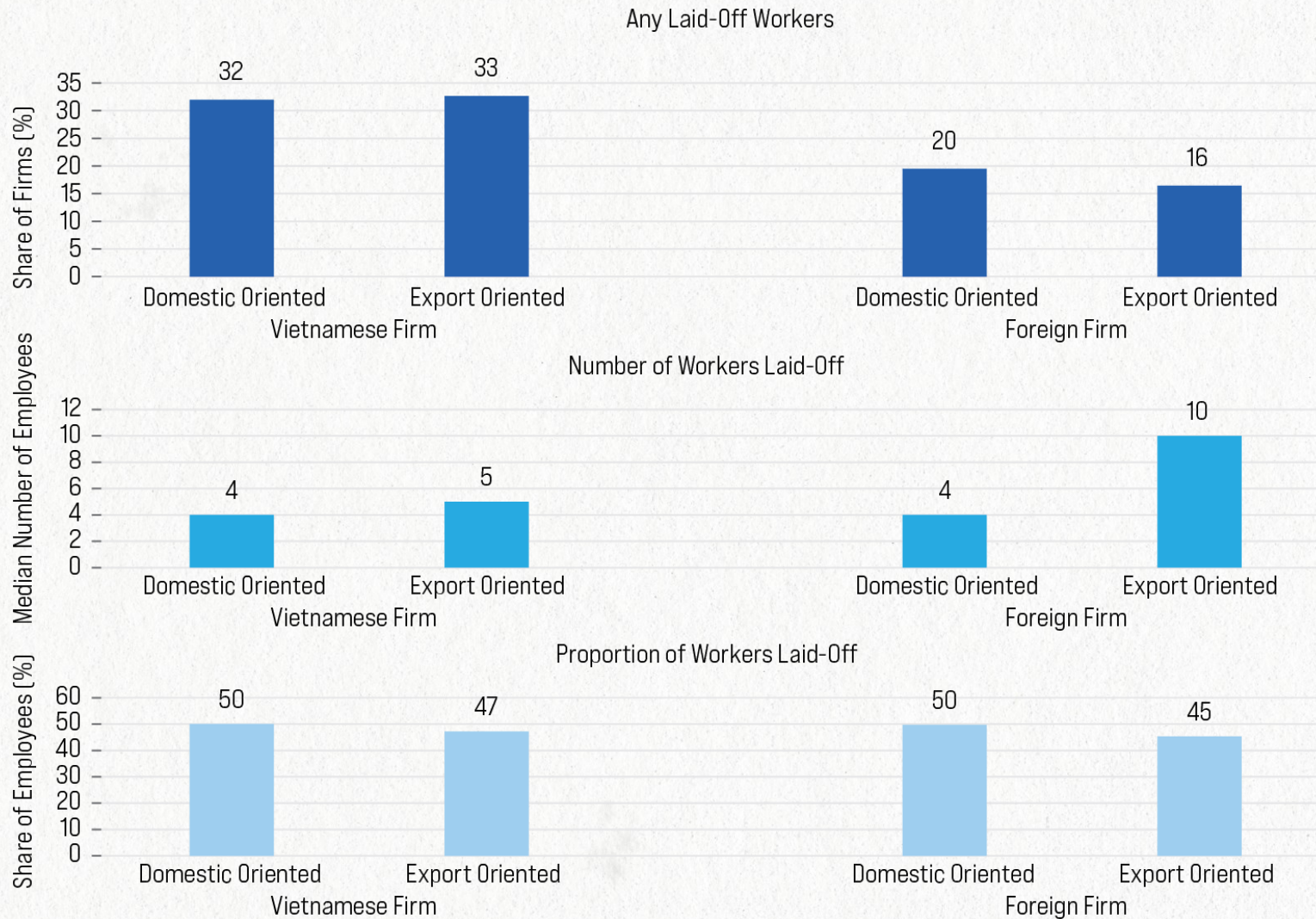
Domestic-oriented investors concerned about health of local market.



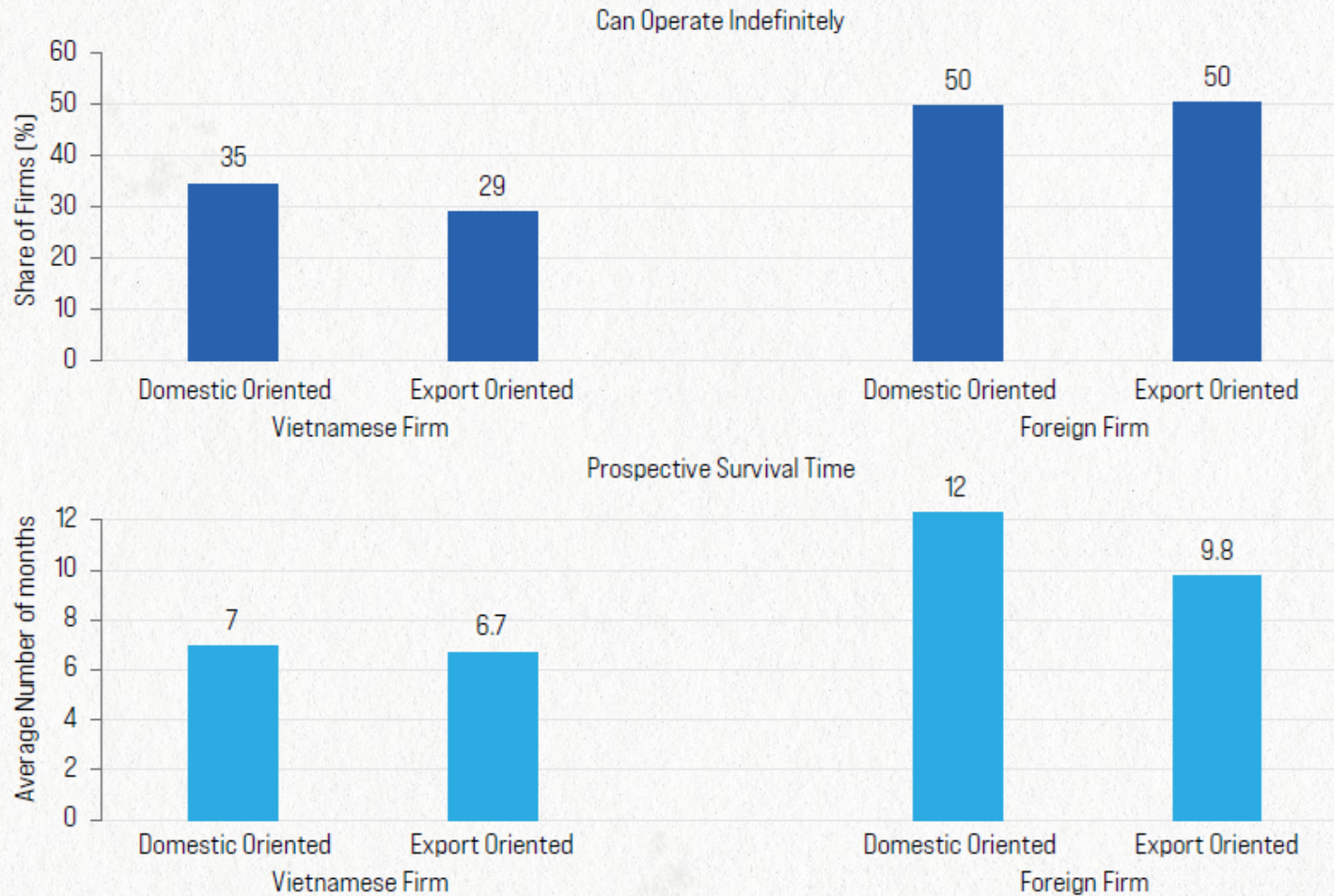
Foreign and export-oriented investors less supportive of restrictions on business activity during COVID-19



Foreign firms suffered less employment losses, but share of layoffs quite similar



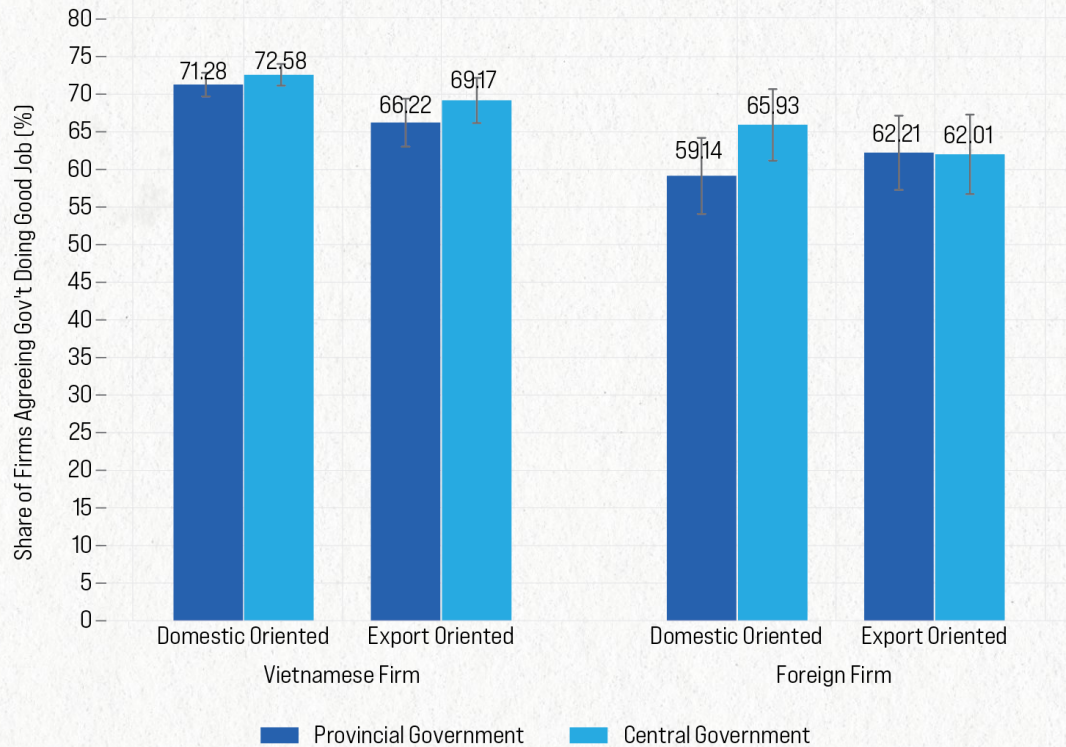
Foreign firm, especially domestic-oriented, are more confident in survival prospects



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.

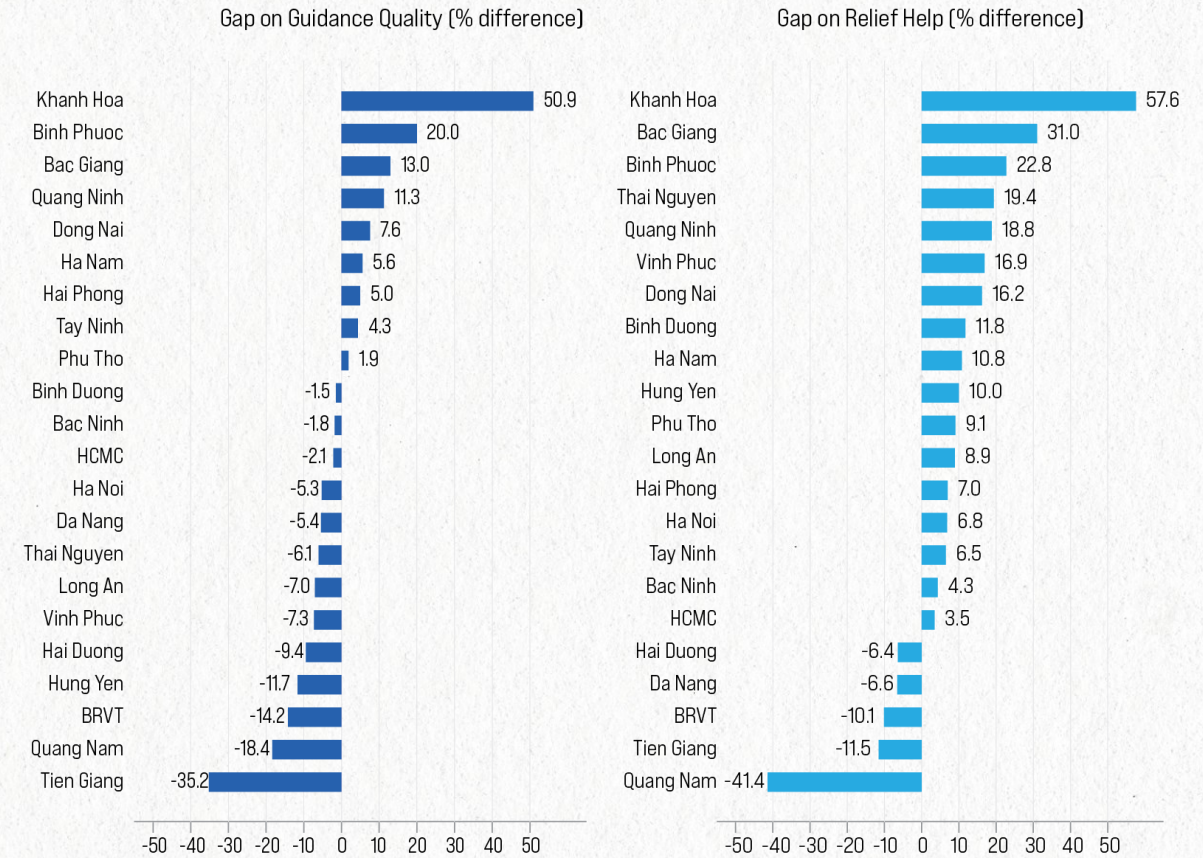
Foreign investors more negative about government response

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.

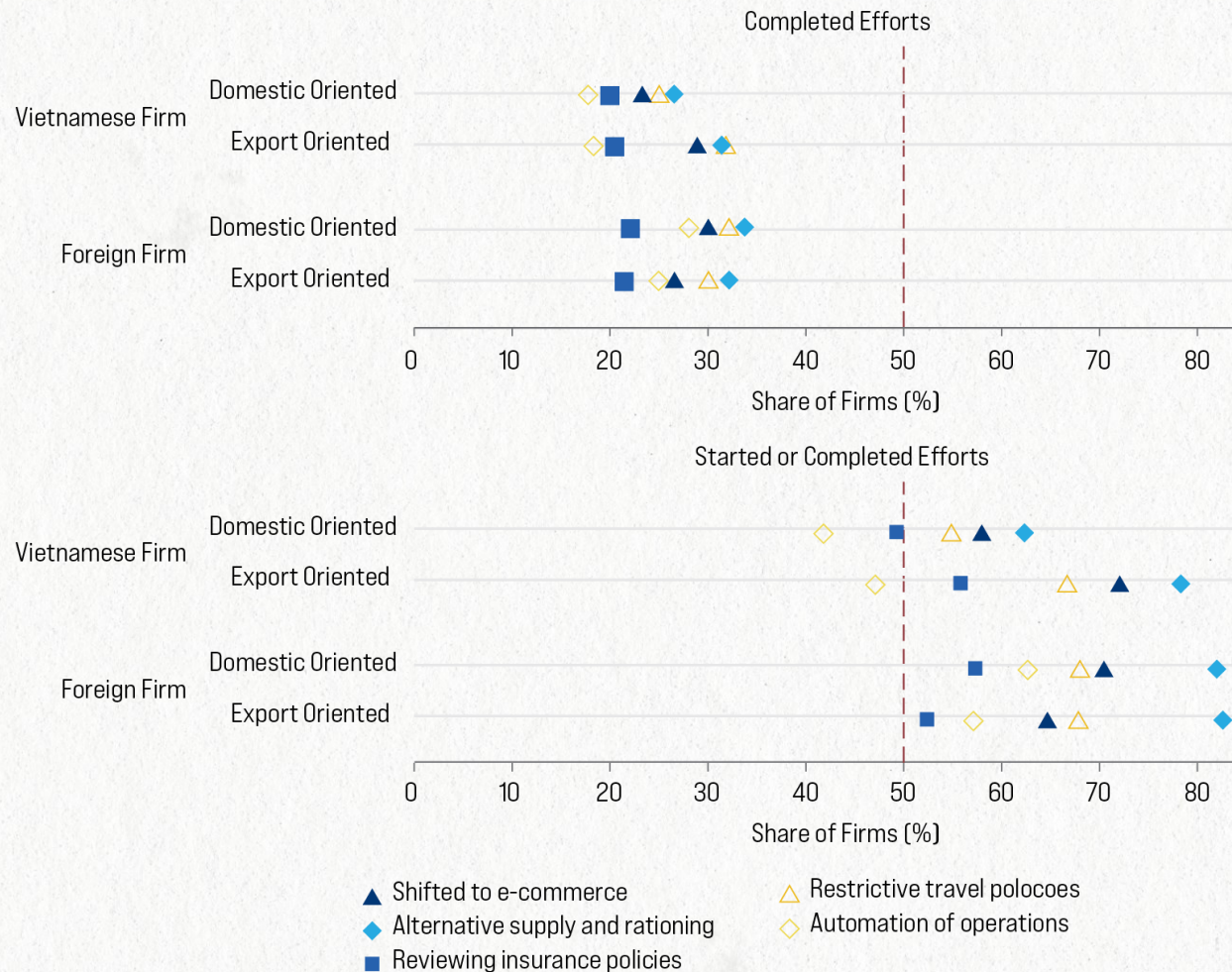
Wide Variance in Treatment of Foreign versus Domestic Investors by Provinces



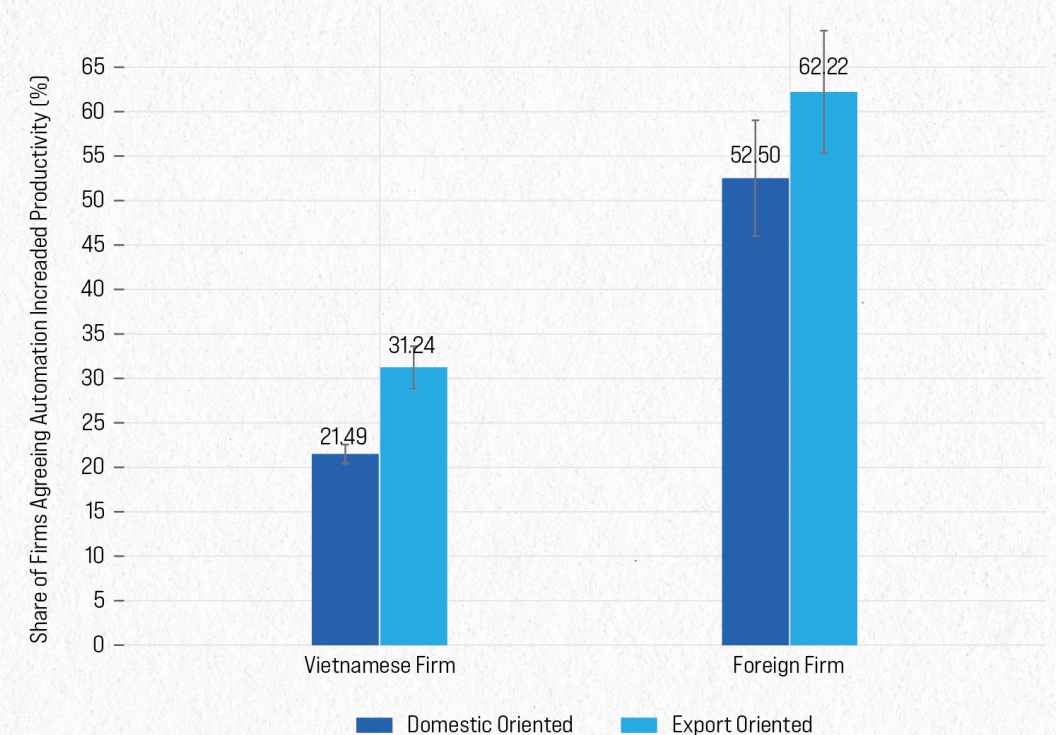
Foreign Investors Agreeing (%) minus Domestic Investors Agreeing (%)

Automation a Rare but Effective Approach to Continue Business

Many firms started but few firms altered business models



Foreign Investors more likely to use and benefit from automation

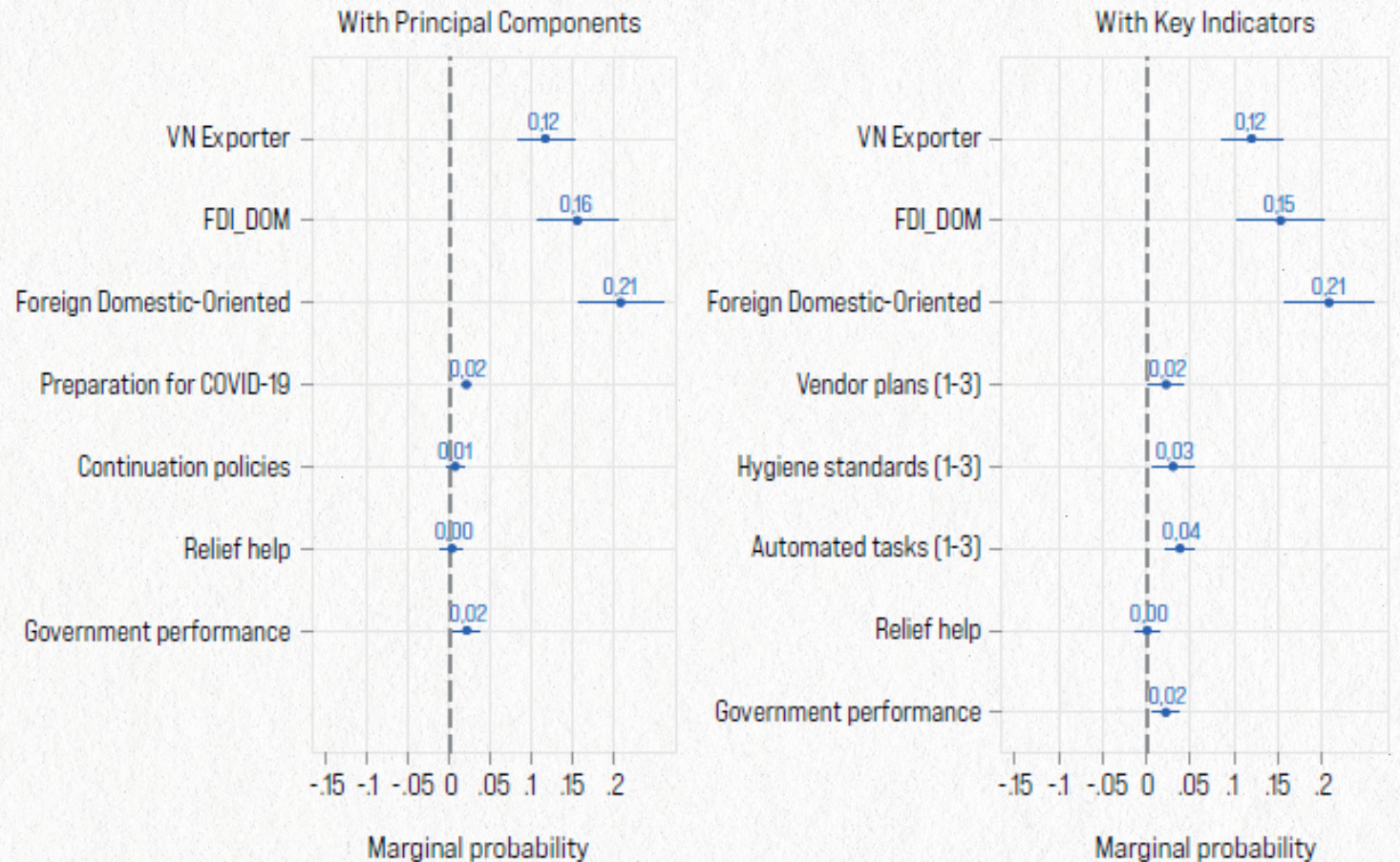


Source: PCI and PCI FDI Survey 2021. Productivity calculations derived from Question J4.5 "Did investment in digitalization or automation improve your firm's productivity measured by output per worker?" We present the share of firms who employed digital technology that answered yes.

Using Machine Learning to Identify Drivers of Survival and Expansion (1)



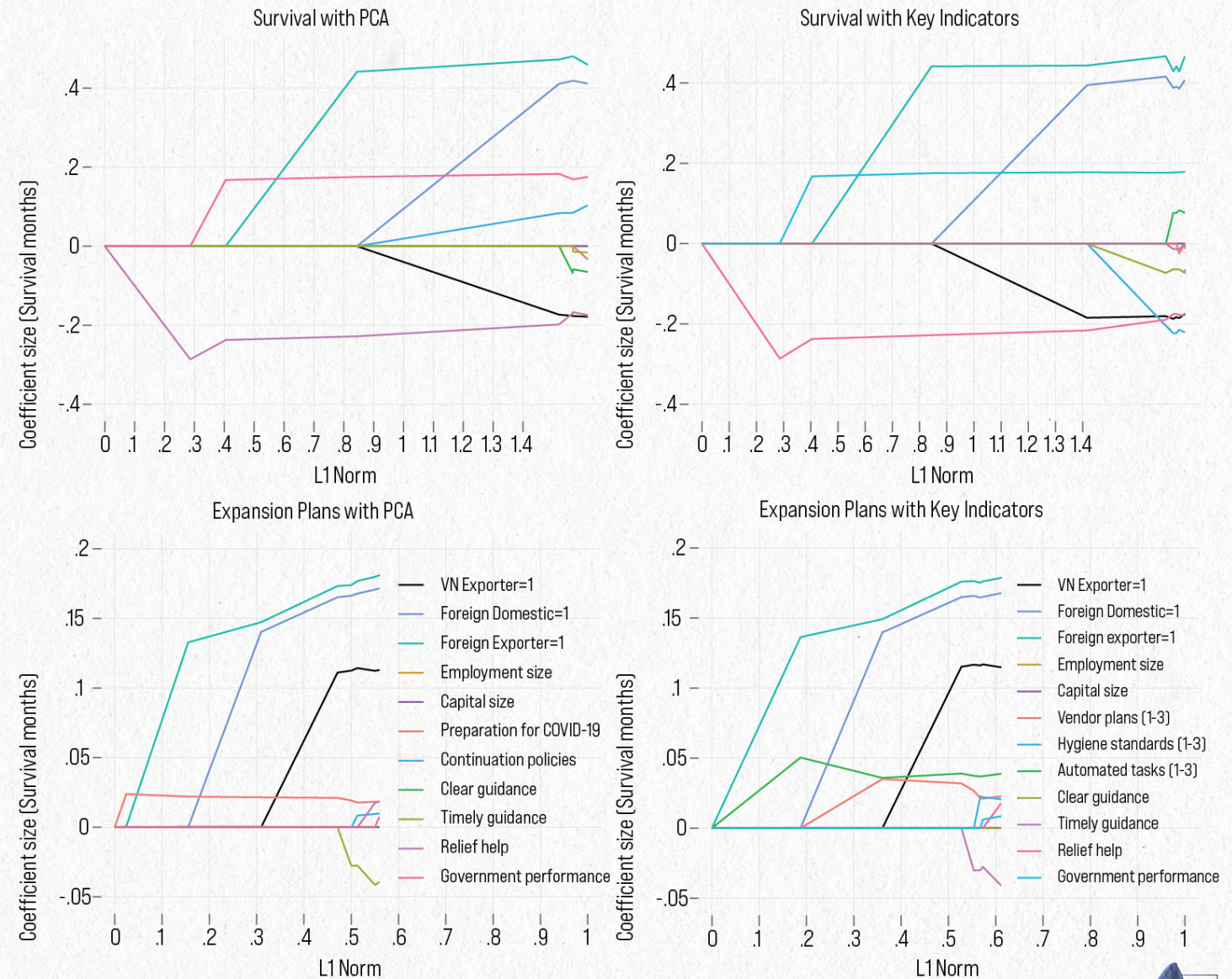
Covariates of Business Survival Prospects



Using Machine Learning to Identify Drivers of Survival and Expansion (2)



LASSO Coefficient Paths



Policy Implications from COVID-19 Investigation

1. Domestic-facing Vietnamese firms are hurting and are in urgent need of support. Tax policies less helpful than planned. Direct 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 when they arrive.



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THANK YOU!

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