



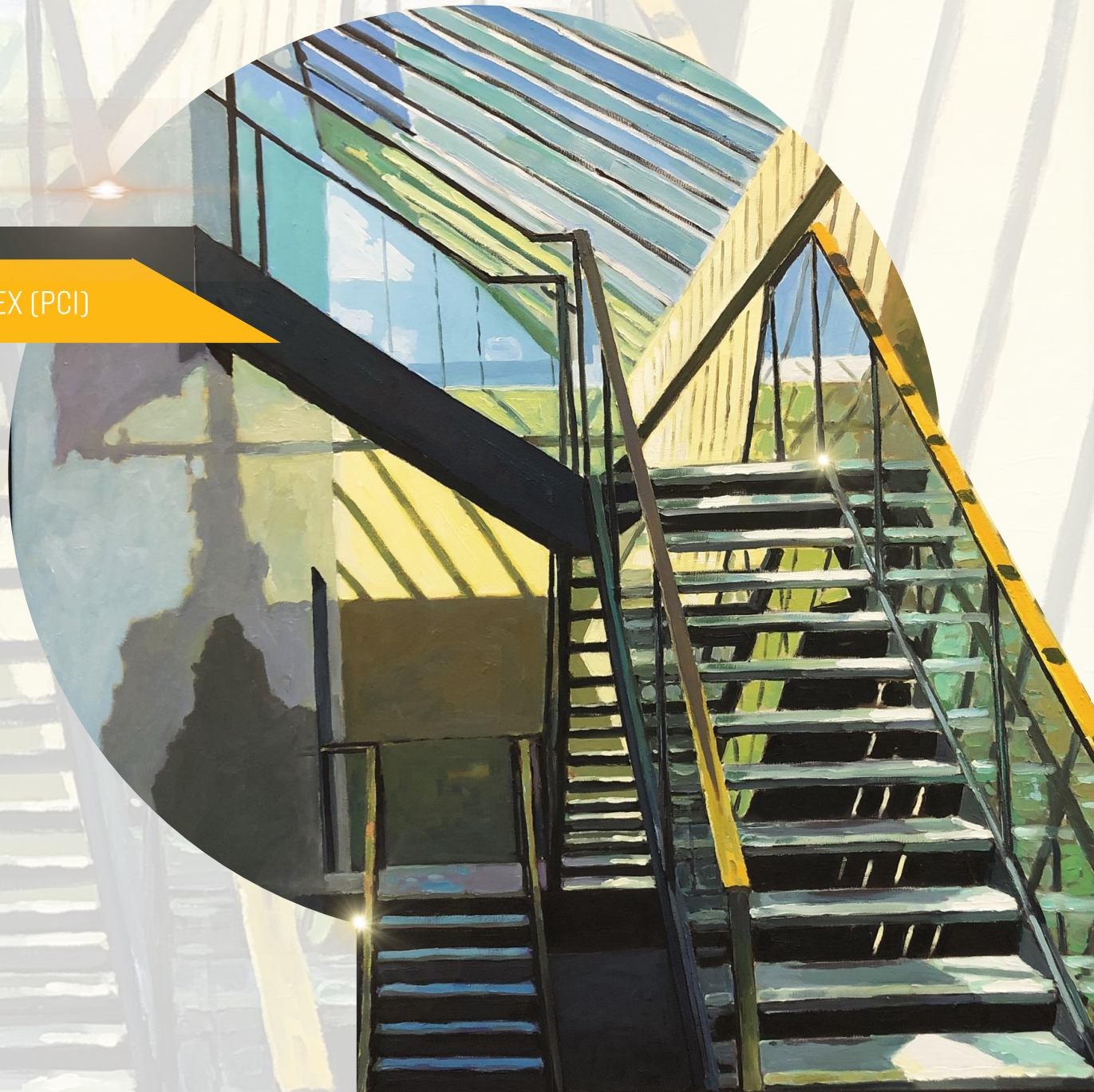
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LAUNCH OF THE 2020 VIETNAM PROVINCIAL COMPETITIVENESS INDEX (PCI)

The 2020 Domestic Survey & The Impact of COVID-19 on Business in Vietnam

ĐẬU ANH TUẤN

Director of Provincial Competitiveness Index Programme
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AN OVERVIEW OF THE PROVINCIAL COMPETITIVENESS INDEX

What does the PCI measure?

How is the PCI constructed?

Sampling and responses to the 2020 PCI survey

16 years of the PCI (2005 – 2020)

What does the PCI measure?

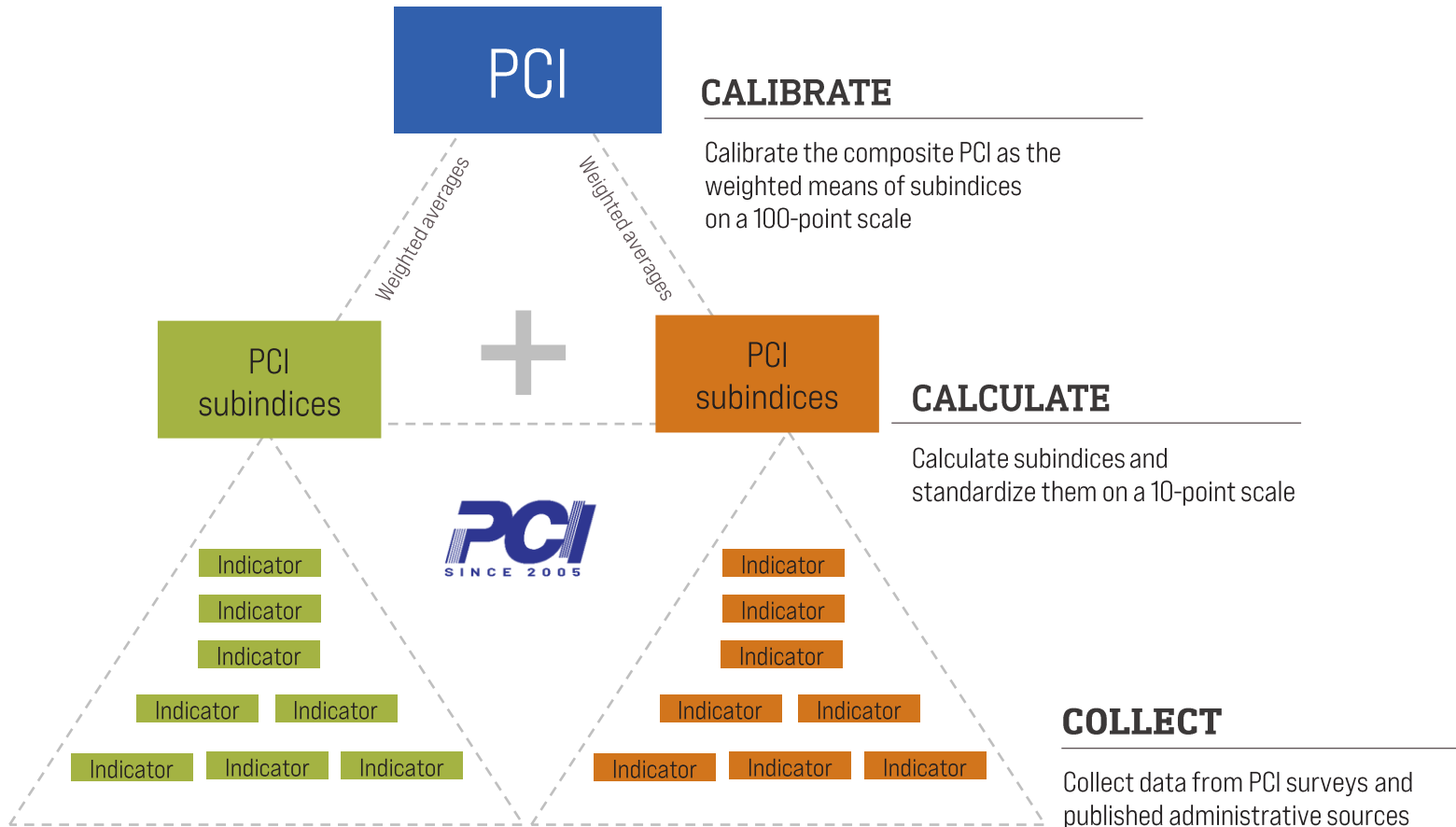
The PCI measures **actual quality of provincial economic governance** through best practices found in provinces, thereby promoting business development.



10 PCI subindices

-  Entry Costs
-  Land Access
-  Transparency
-  Time Costs
-  Informal Charges
-  Policy Bias
-  Proactive Leadership
-  Business Support Services
-  Labor Policy
-  Law & Order

How is the PCI constructed?



10 Subindices

Consisting of:

128 Indicators

Of which

41 indicators fixed since 2006

2021

Next calibration of the PCI

2017

2013

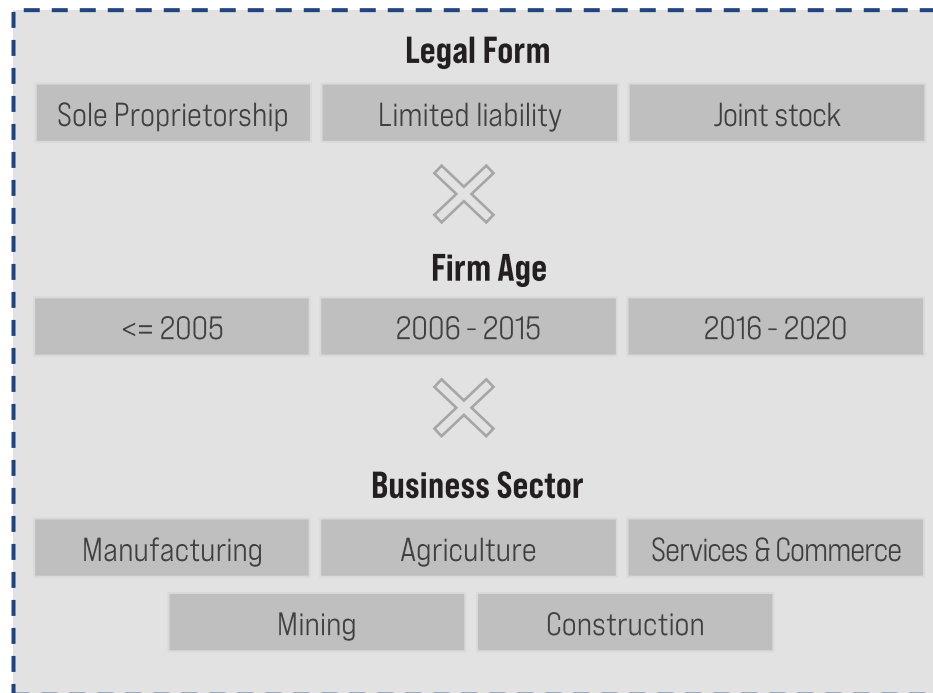
2009

Periodical re-calibrations to reflect changes in the business environment

Sampling and Responses to 2020 PCI

Random Stratified Sampling

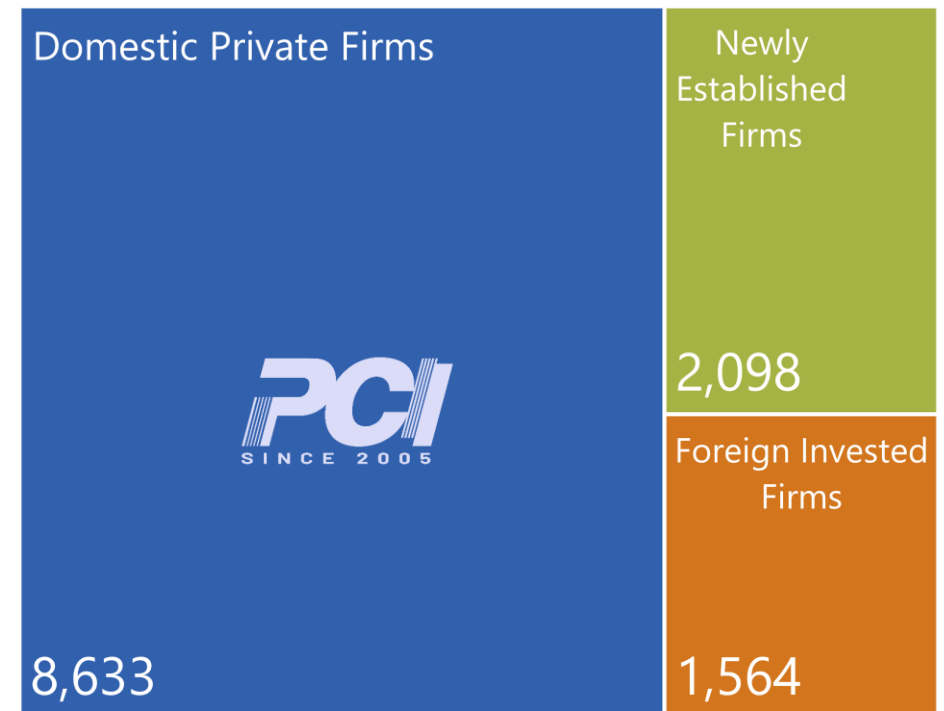
General sampling list



A stratified random sample by province/city

Number of responses to 2020 PCI survey

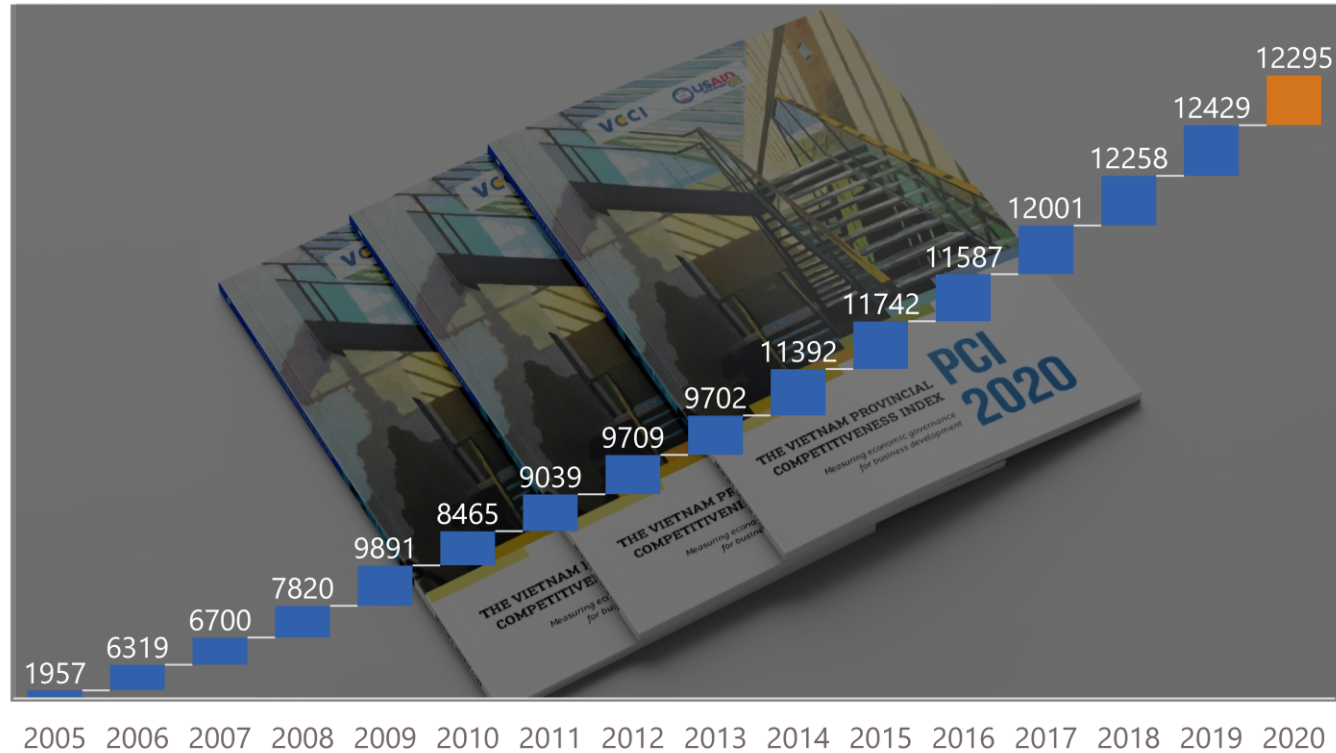
PCI is one of the largest national business surveys in Vietnam



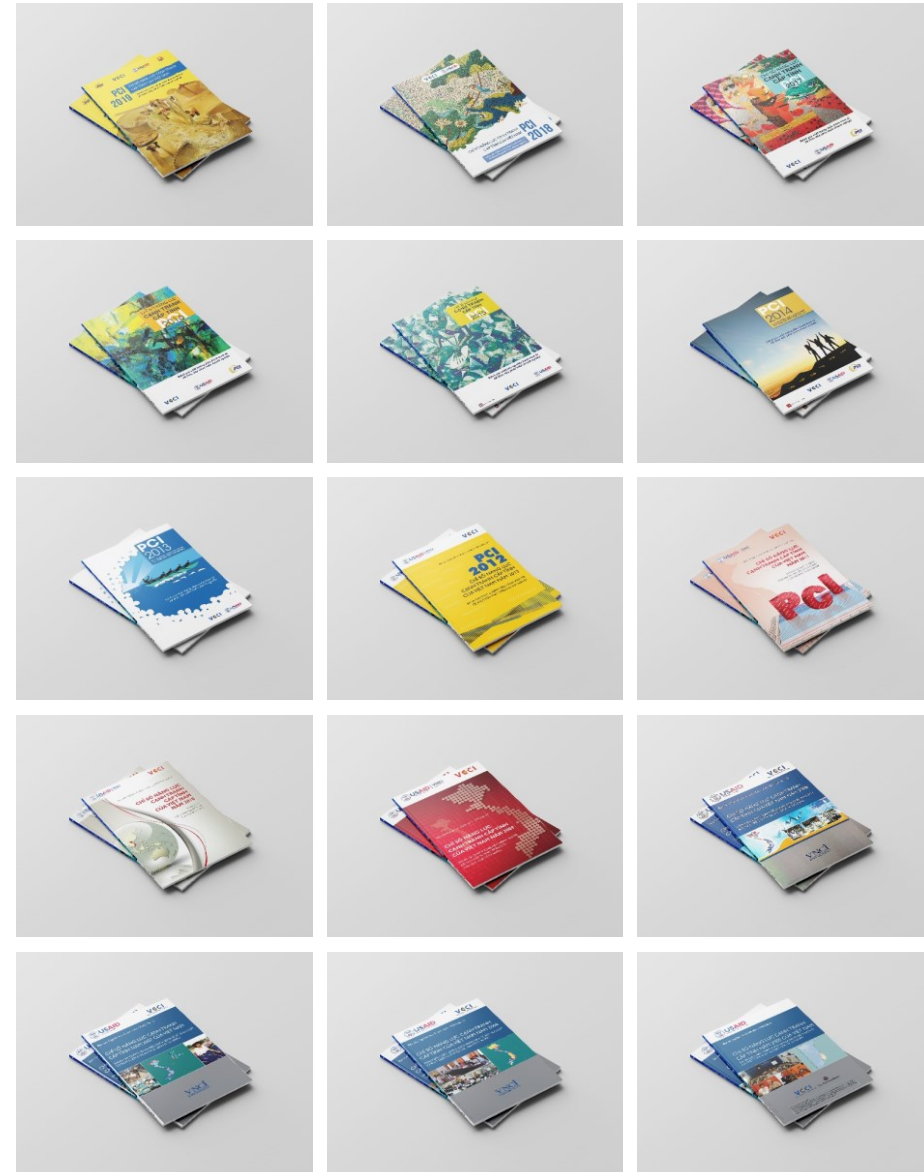
12,295 firms responded to the PCI 2020

16 years of the PCI (2005 – 2020)

The number of PCI responses over time



1 out of every 5 enterprises in operation has responded to the PCI survey





2

THE 2020 PCI RANKINGS AND KEY FEATURES IN ECONOMIC GOVERNANCE OVER TIME

The 2020 PCI rankings

Eight key trends in provincial economic
governance over time

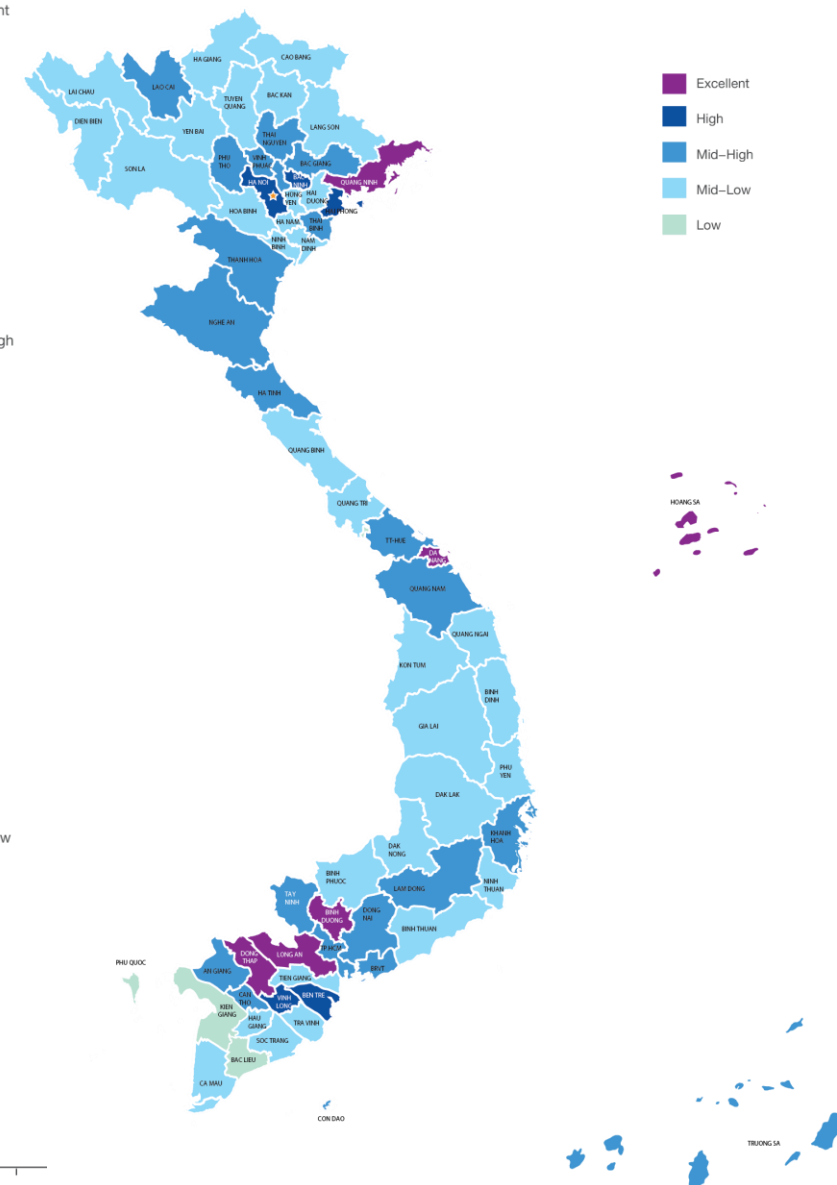
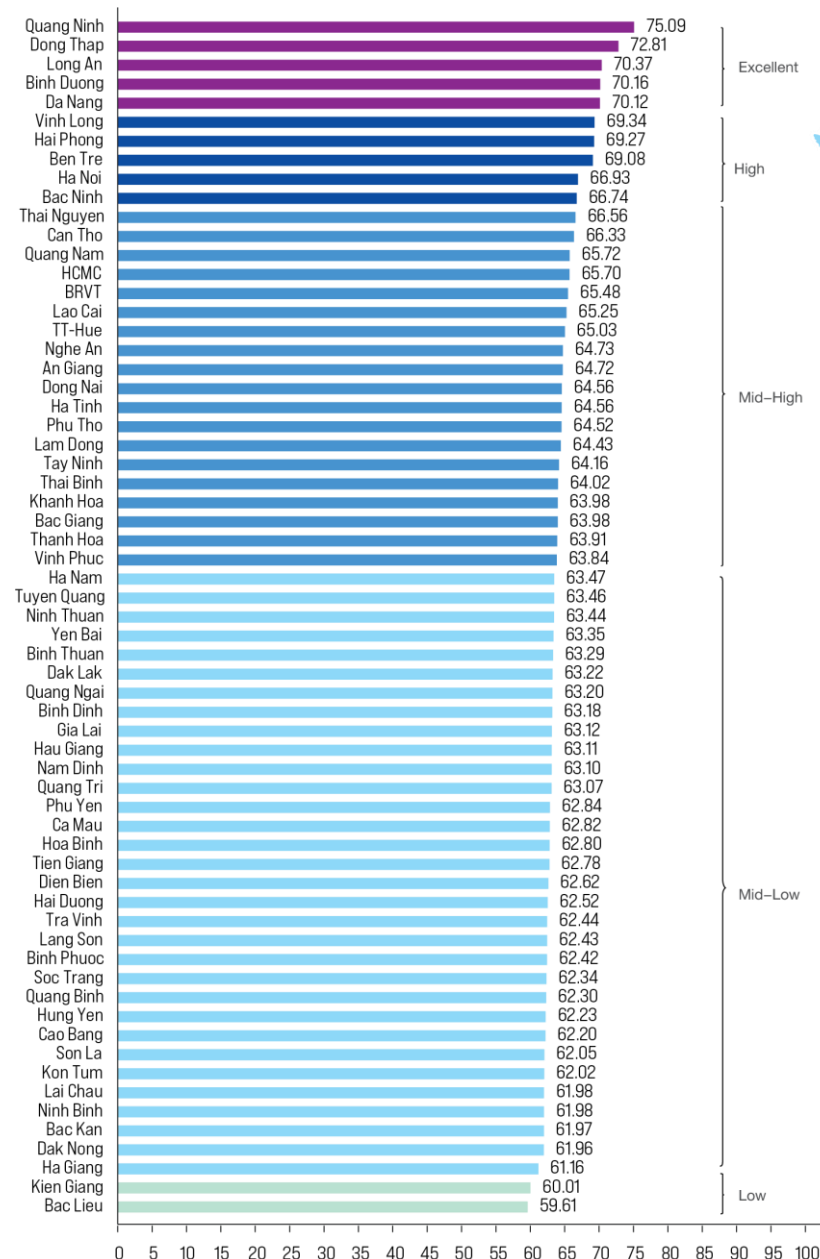
Other findings

2020 PCI RANKINGS

Quang Ninh tops the PCI rankings for the fourth consecutive year

2020 PCI Top 10

1	QUANG NINH	6	VINH LONG
2	DONG THAP	7	HAI PHONG
3	LONG AN	8	BEN TRE
4	BINH DUONG	9	HA NOI
5	DA NANG	10	BAC NINH



Top 3 in ten PCI subindices



Entry Costs



Transparency



Informal Charges



Proactive Leadership



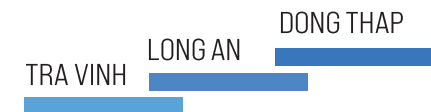
Labor Policy



Land Access



Time Costs



Policy Bias



Business Support Services



Law & Order



8

KEY TRENDS IN PROVINCIAL ECONOMIC GOVERNANCE OVER TIME

PCI

#1

There is a broad trend of positive improvement in provincial economic governance.

#2

Provincial leadership demonstrate more proactivity and creativity in policy implementation

#3

Informal charges continue to decline

#4

Legal proceedings improved and security order reinforced

#5

Business climate became less biased

#6

Administrative procedures reforms progress, but some areas remain burdensome

#7

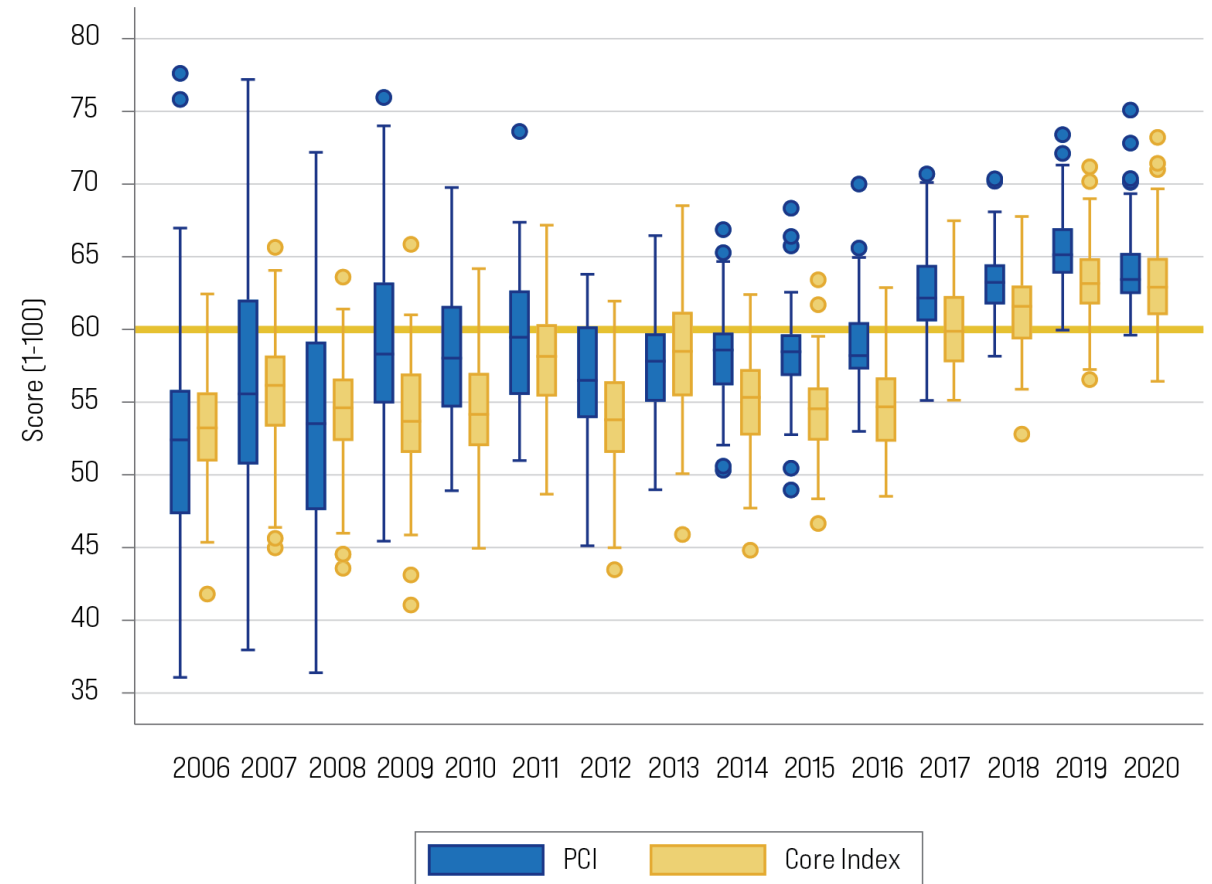
Transparency should be further enhanced

#8

Implementation at departmental and district level needs to be strengthened

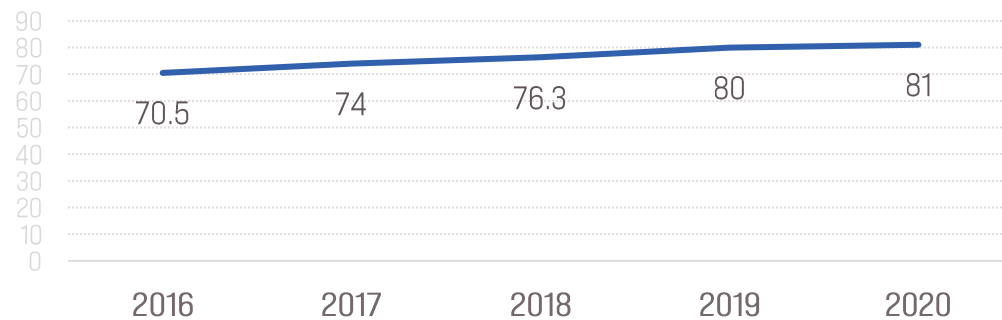
#1. Provincial economic governance improves over time

- 1 The median province scores above 60 points on the 100-point scale for the fourth year in a row.
- 2 The gap between the best and worst performing provinces is narrowing in both the aggregate and core PCI.

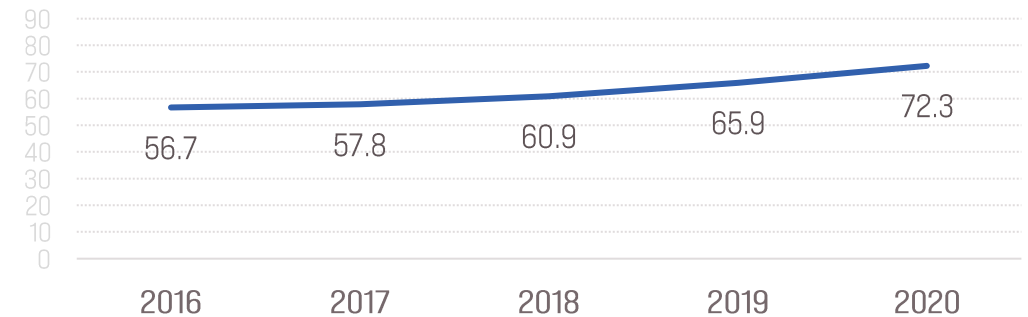


#2. Provincial authorities demonstrate more proactivity and creativity in policy implementation

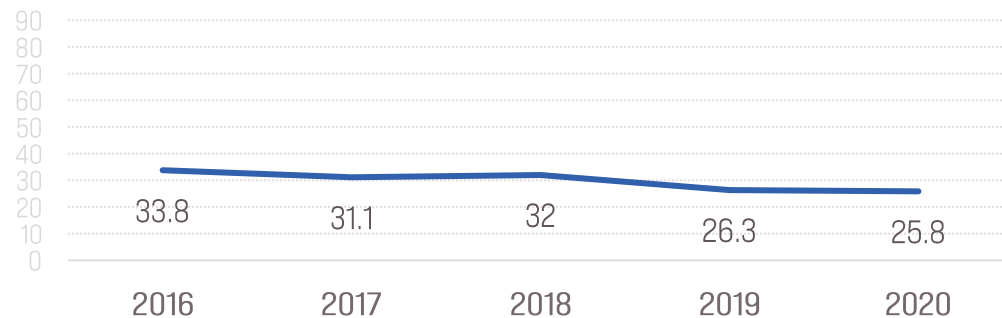
The PPC is **flexible** within the legal framework to create favorable business environment for nonstate firms [% agree]



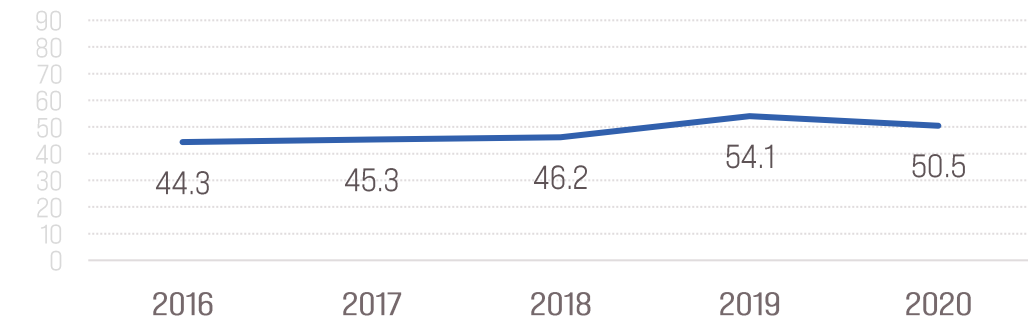
The PPC is very **proactive and innovative** in solving new problems [% agree]



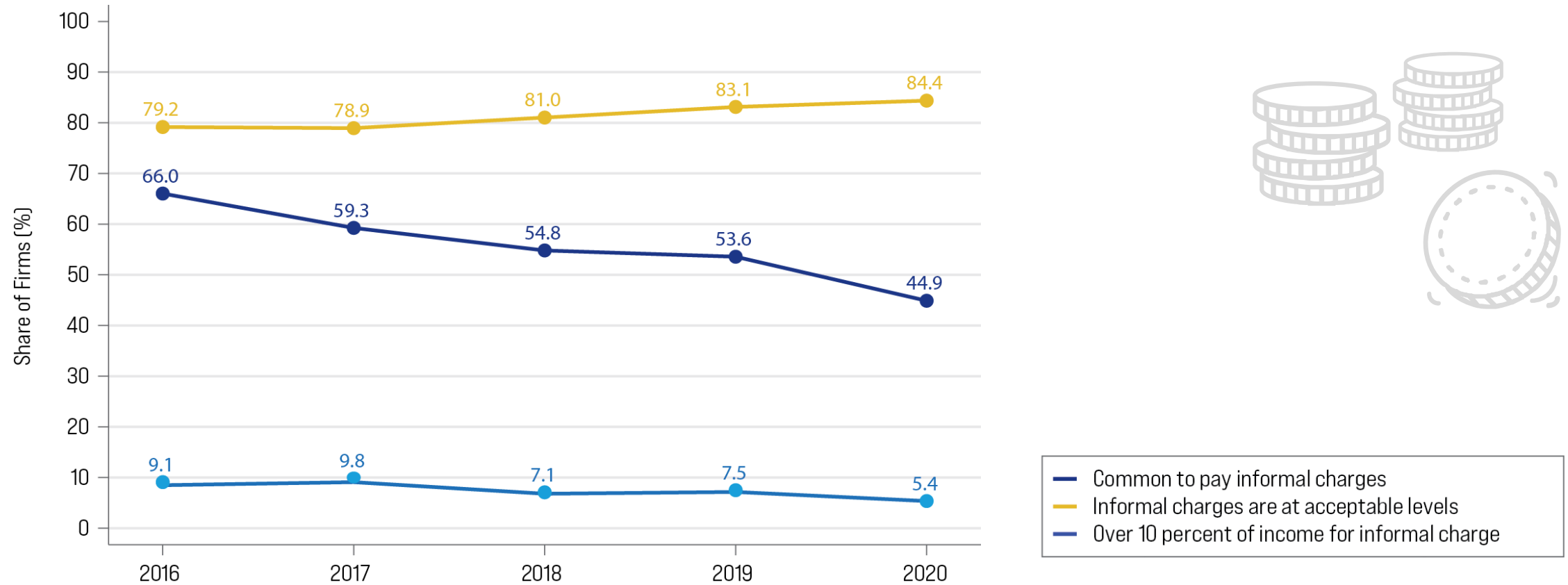
Province's reaction to lack of clarity in central policies/documents:
% **"delay and seek instructions"** and **"do nothing"**



Firms' assessment of the **attitude** of provincial government toward private sector [% Positive]

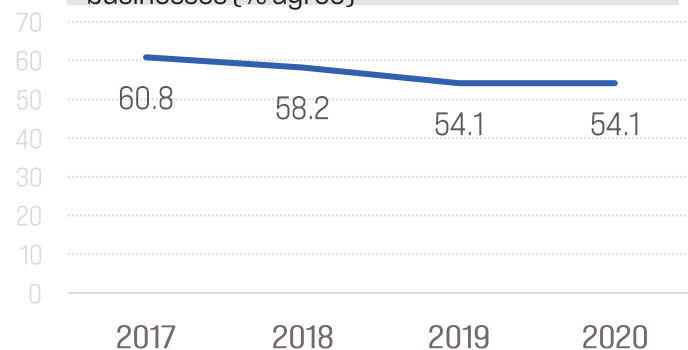


#3. Informal charges continue to decline (1)

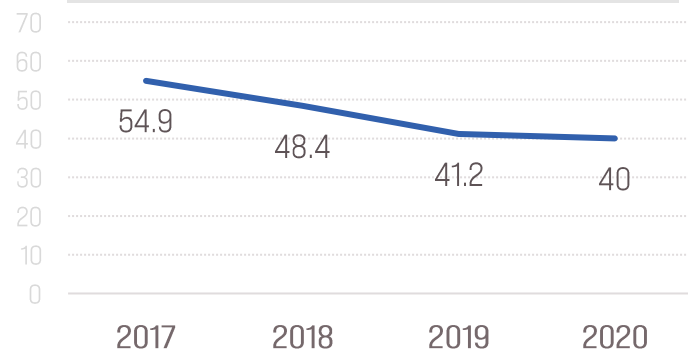


#3. Informal charges continue to decline (2)

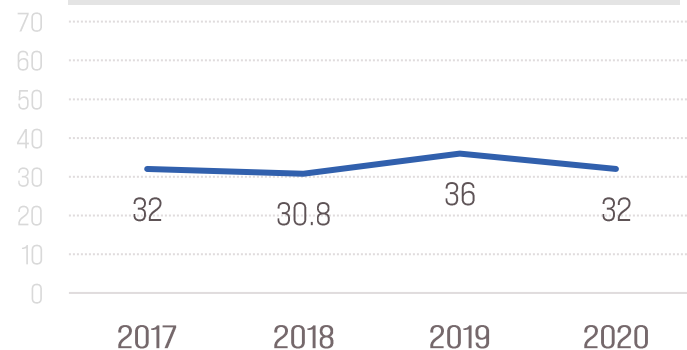
Rent-seeking phenomenon is popular in handling administrative procedures for businesses (% agree)



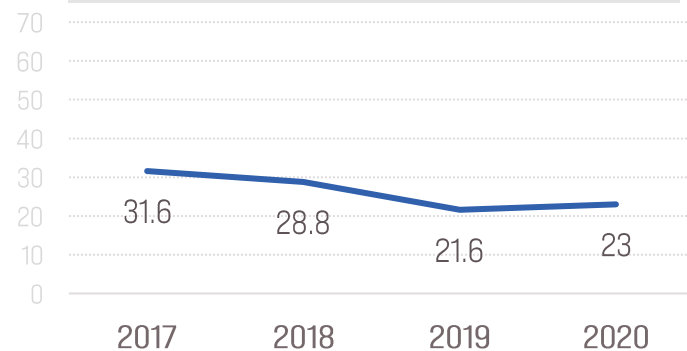
Paying a “commission” is essential to improve chances of winning the contract



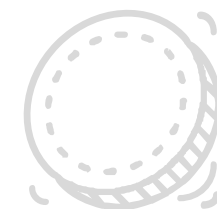
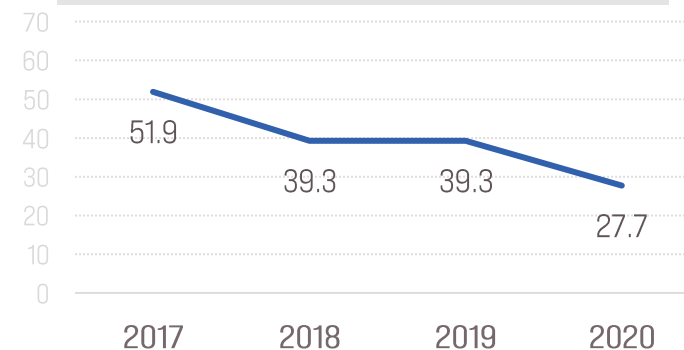
Percentage of firms paying informal charges in land APs (%)



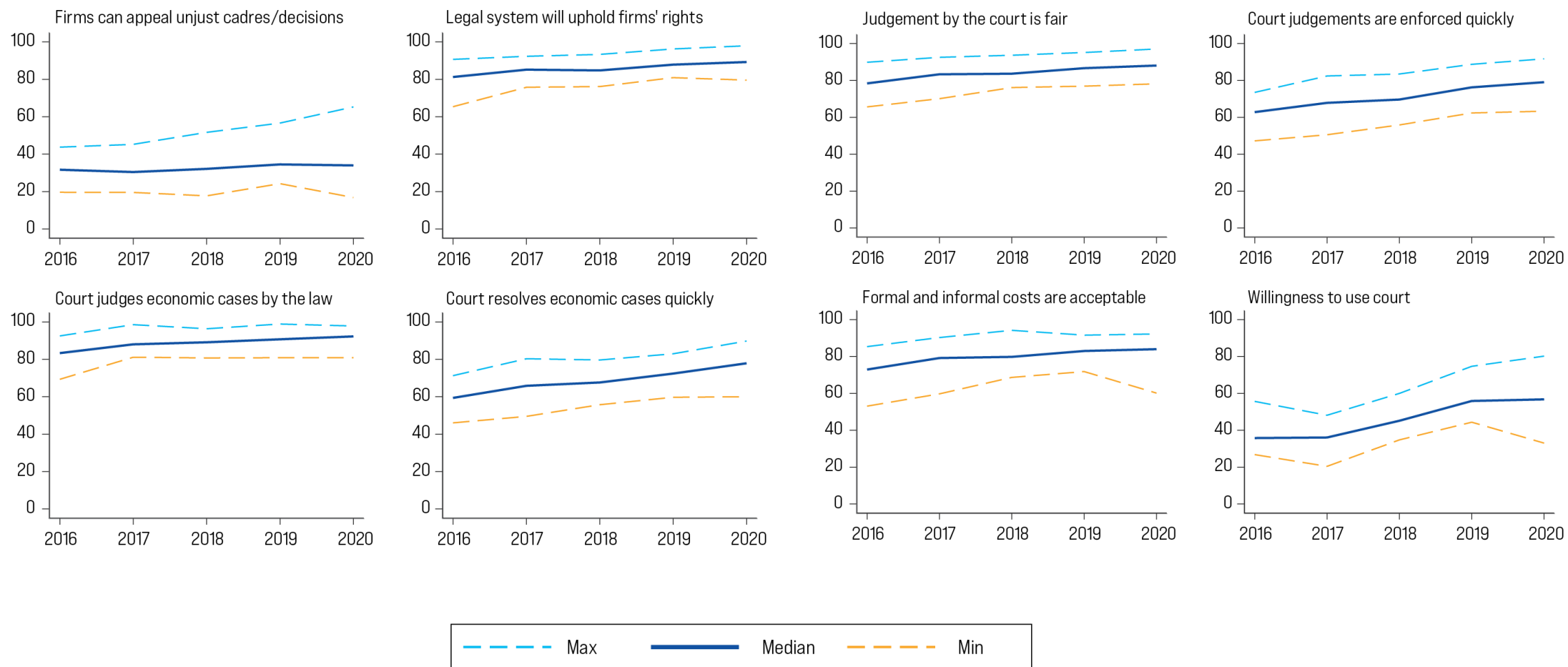
Offering bribes to solicit favorable judgment is common



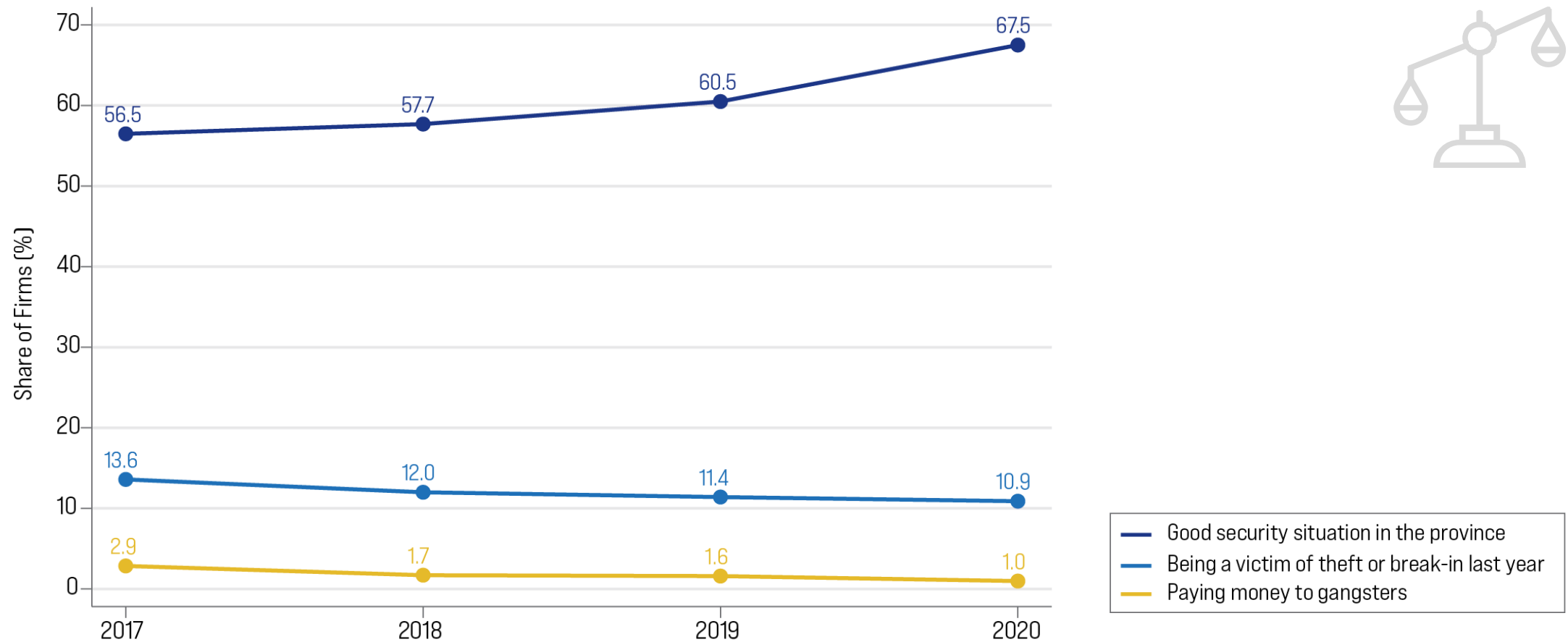
Percentage of firms paying informal payment to the inspector (%)



#4. Legal proceedings improved and security order reinforced (1)

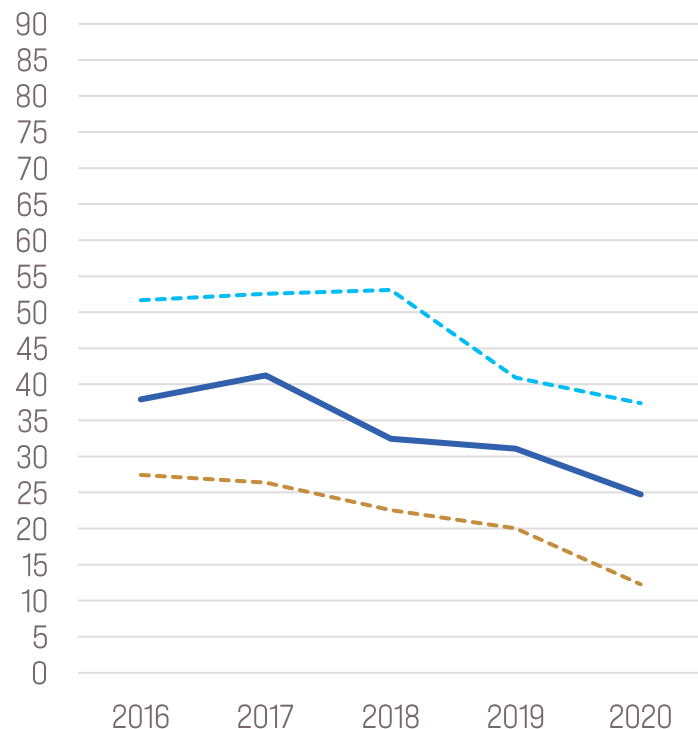


#4. Legal proceedings improved and security order reinforced (2)

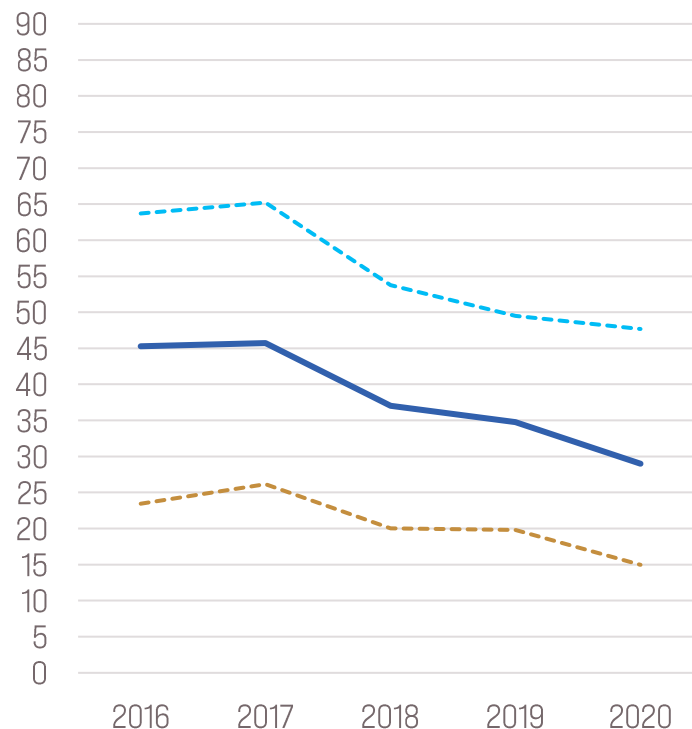


#5. Business climate became less biased

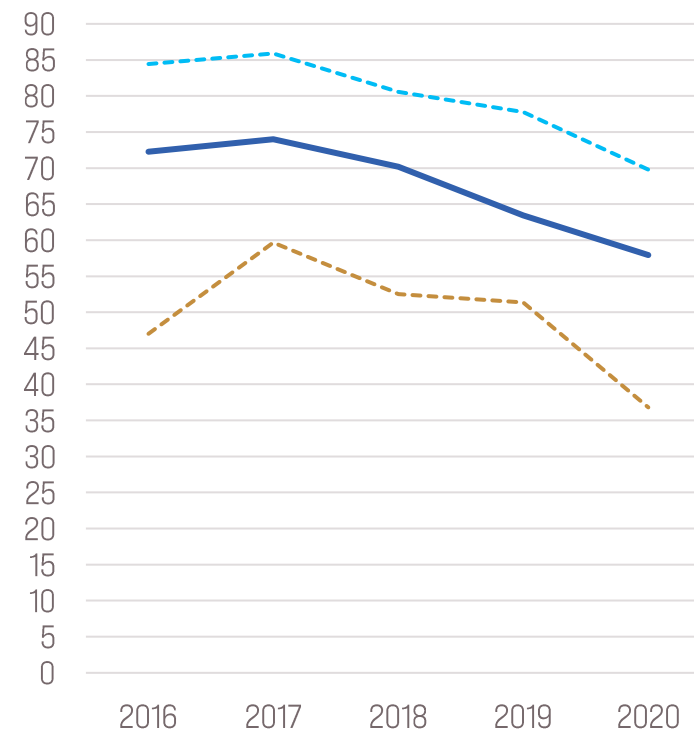
Province give privileges to state-owned economic groups, corporations, causing difficulties to your business [% agree]



Province give priority to FDI attraction than private sector development [% agree]



"Contracts, land, ... and other economic resources mostly fall in the hands of enterprises that have strong connections to local authorities" [% agree]



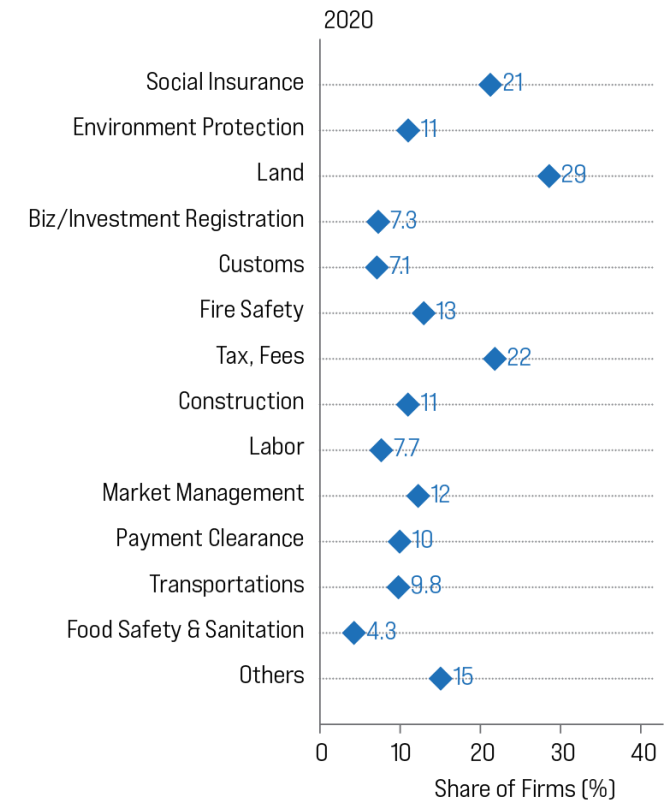
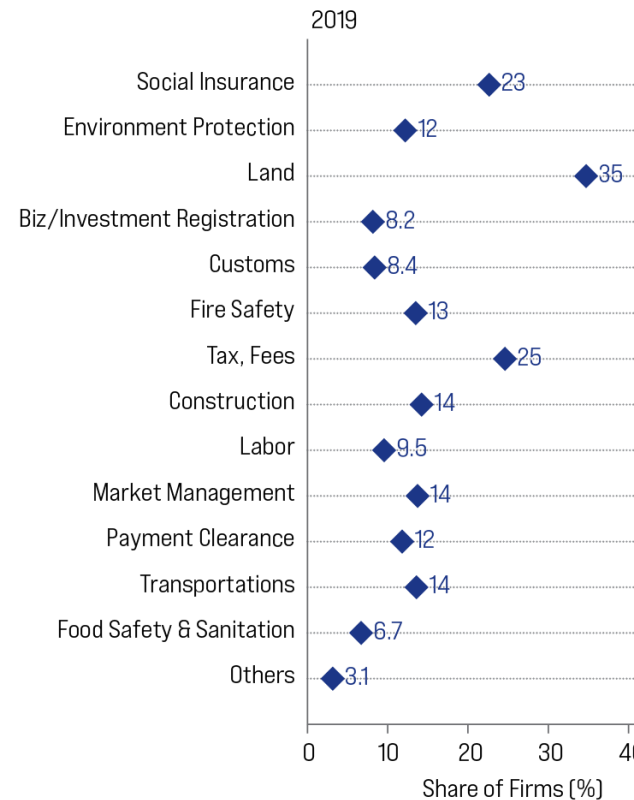
#6. Administrative procedure reforms progress, but some areas remain burdensome (1)



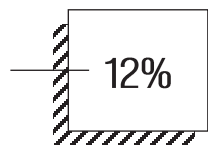
#6. Administrative procedure reforms progress, but some areas remain burdensome (2)

1 There are declines in the share of firms facing obstacles in nearly every area.

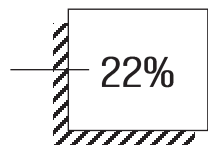
2 However, stronger reforms are needed in land, tax, and insurance.



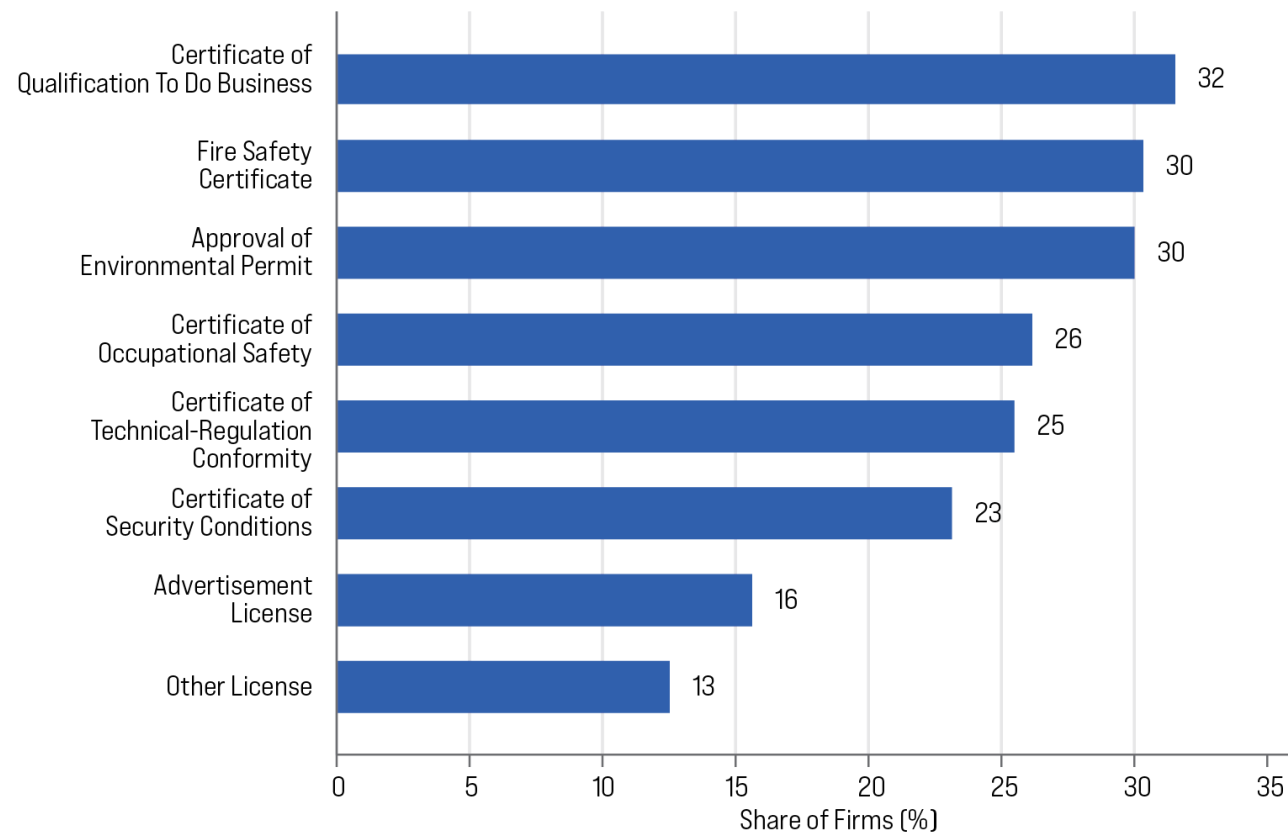
#6. Administrative procedure reforms progress, but some areas remain burdensome (3)



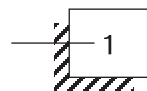
of firms had to wait over one month to complete all paperwork to legally operate (median)



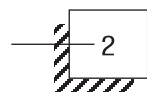
of firms spent more than ten percent of time understanding and implementing regulations (median)



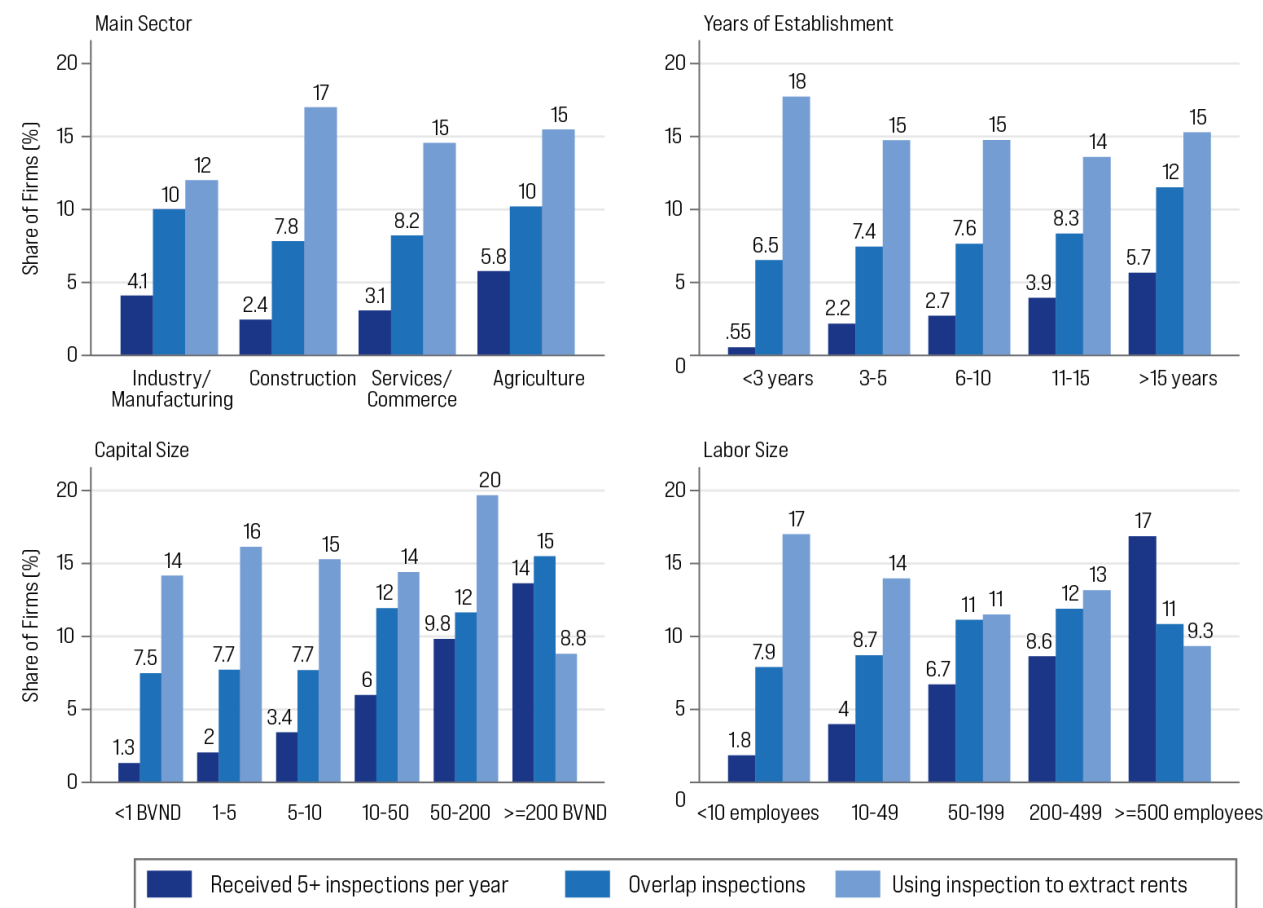
#6. Administrative procedure reforms progress, but some areas remain burdensome (4)



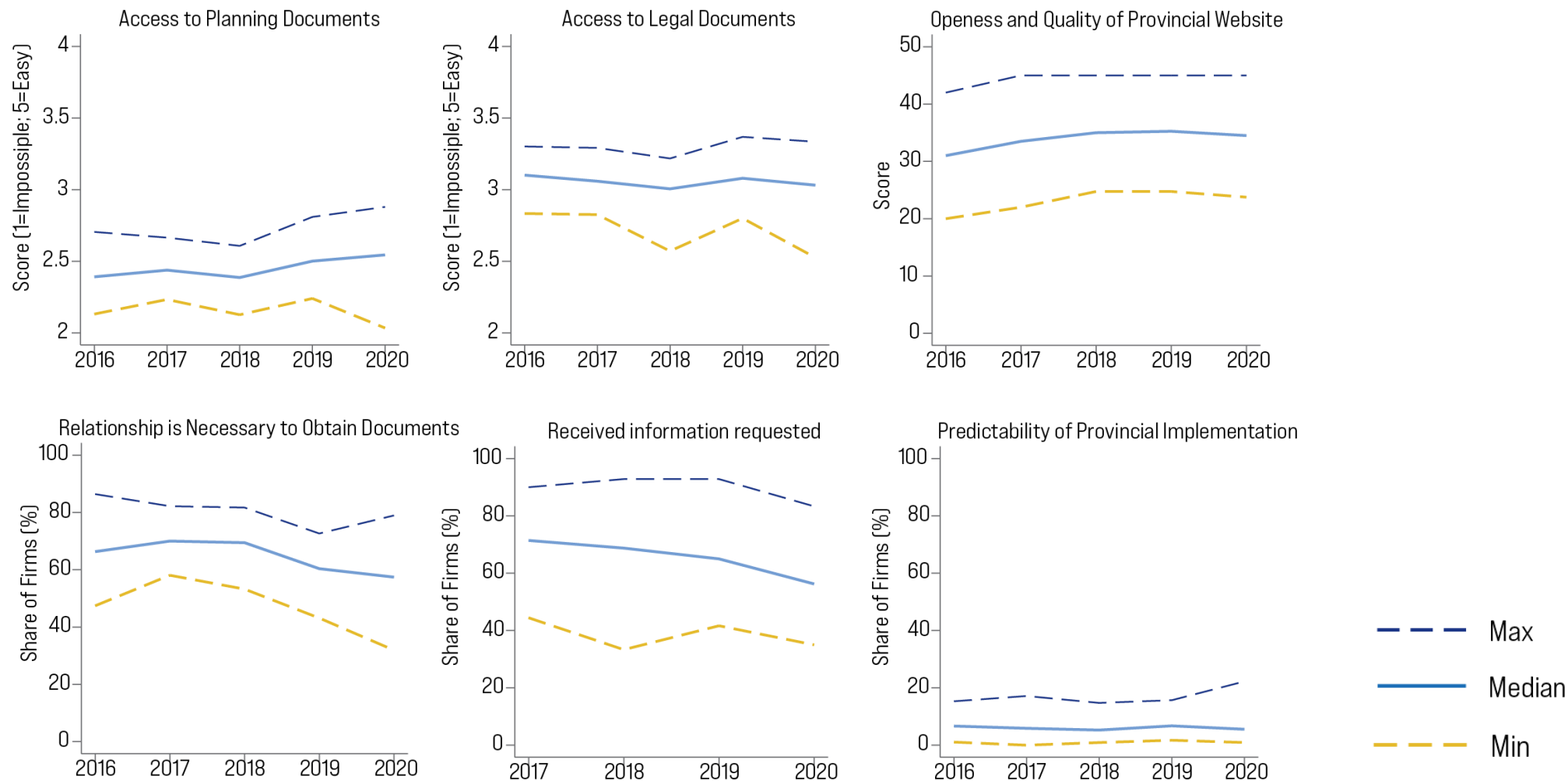
The inspection burden reduced but remained burdensome for quite a number of firms.



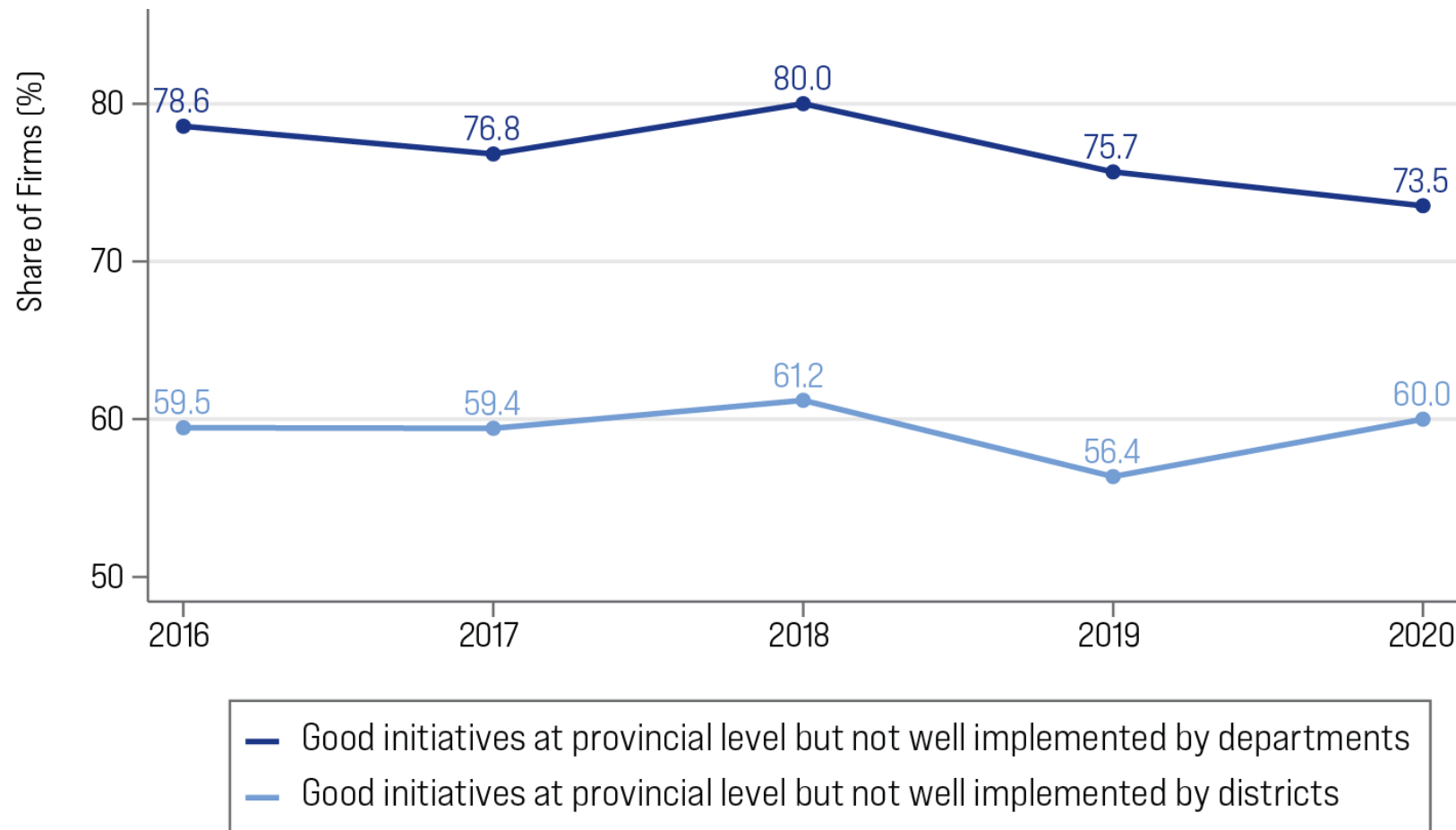
The number of inspections and duplicative inspections appears to increase for firms that have been in operation longer and larger firms.



#7. Transparency should be further enhanced



#8. Implementation at departmental and district level needs to be strengthened

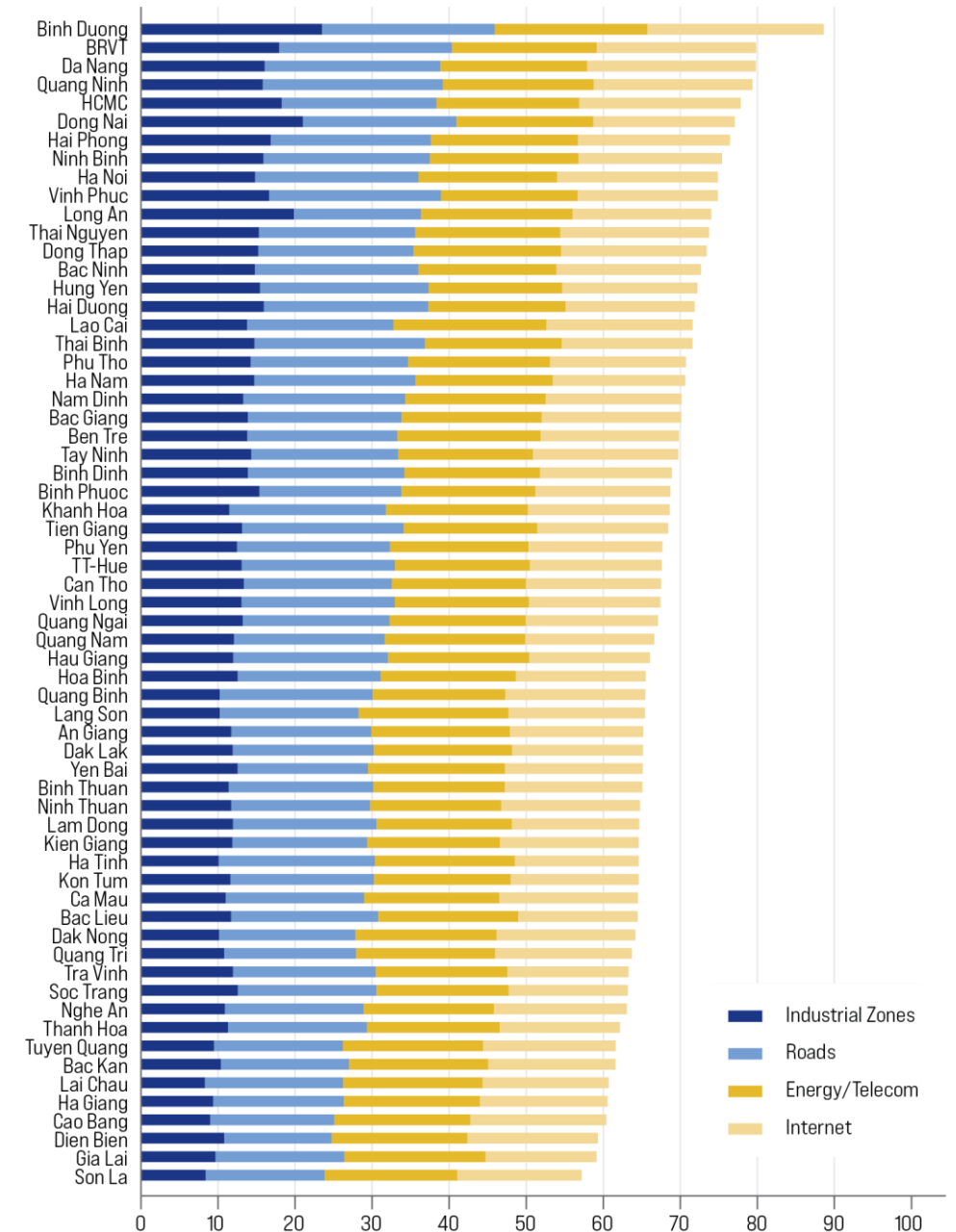


The 2020 PCI Infrastructure Index

Infrastructure in 2020 was rated fairly high.

Top 10 provinces in 2020 PCI Infrastructure Index

1	BINH DUONG	6	DONG NAI
2	BRVT	7	HAI PHONG
3	DA NANG	8	NINH BINH
4	QUANG NINH	9	HA NOI
5	HOCHIMINH CITY	10	VINH PHUC





3

THE IMPACT OF COVID-19 ON BUSINESS IN VIETNAM

The effects of COVID-19 to business performance

Approaches used by businesses to address
COVID-19 crisis

Government relief policies to mitigate the crisis

Business performance was severely hit by COVID-19

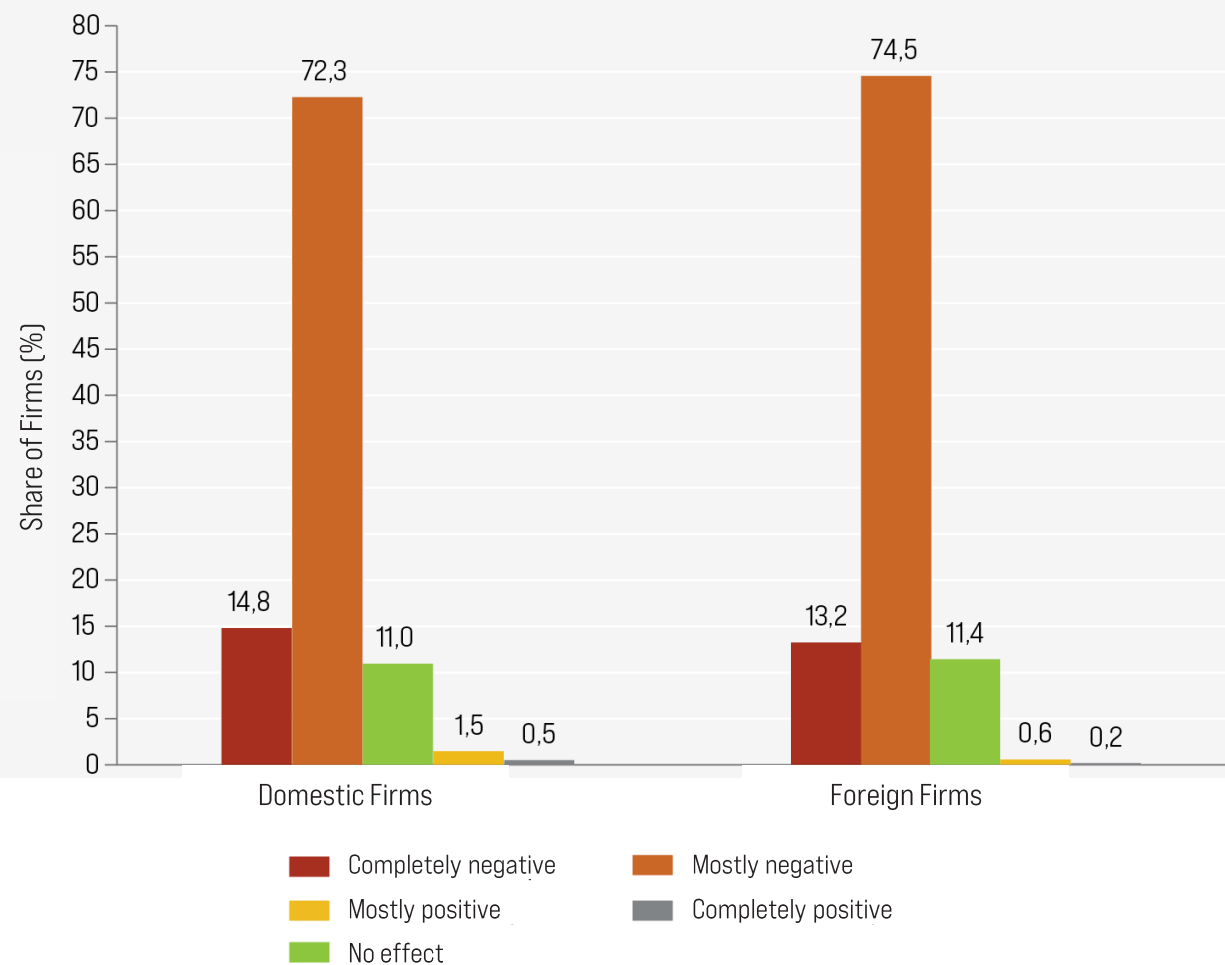


Photo: Zingnews.vn

Declining domestic market and disrupted supply chains pose major challenges to firms

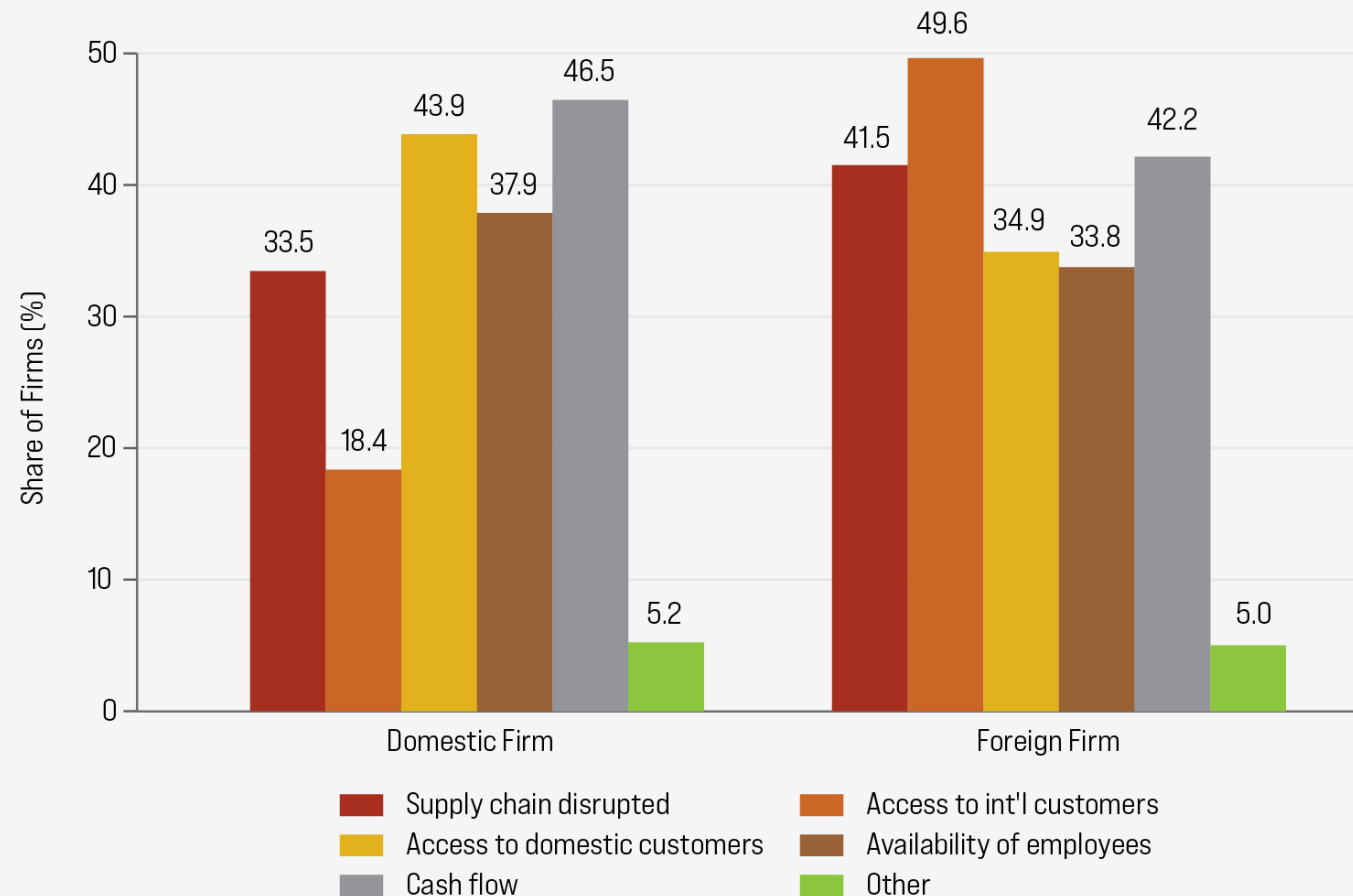
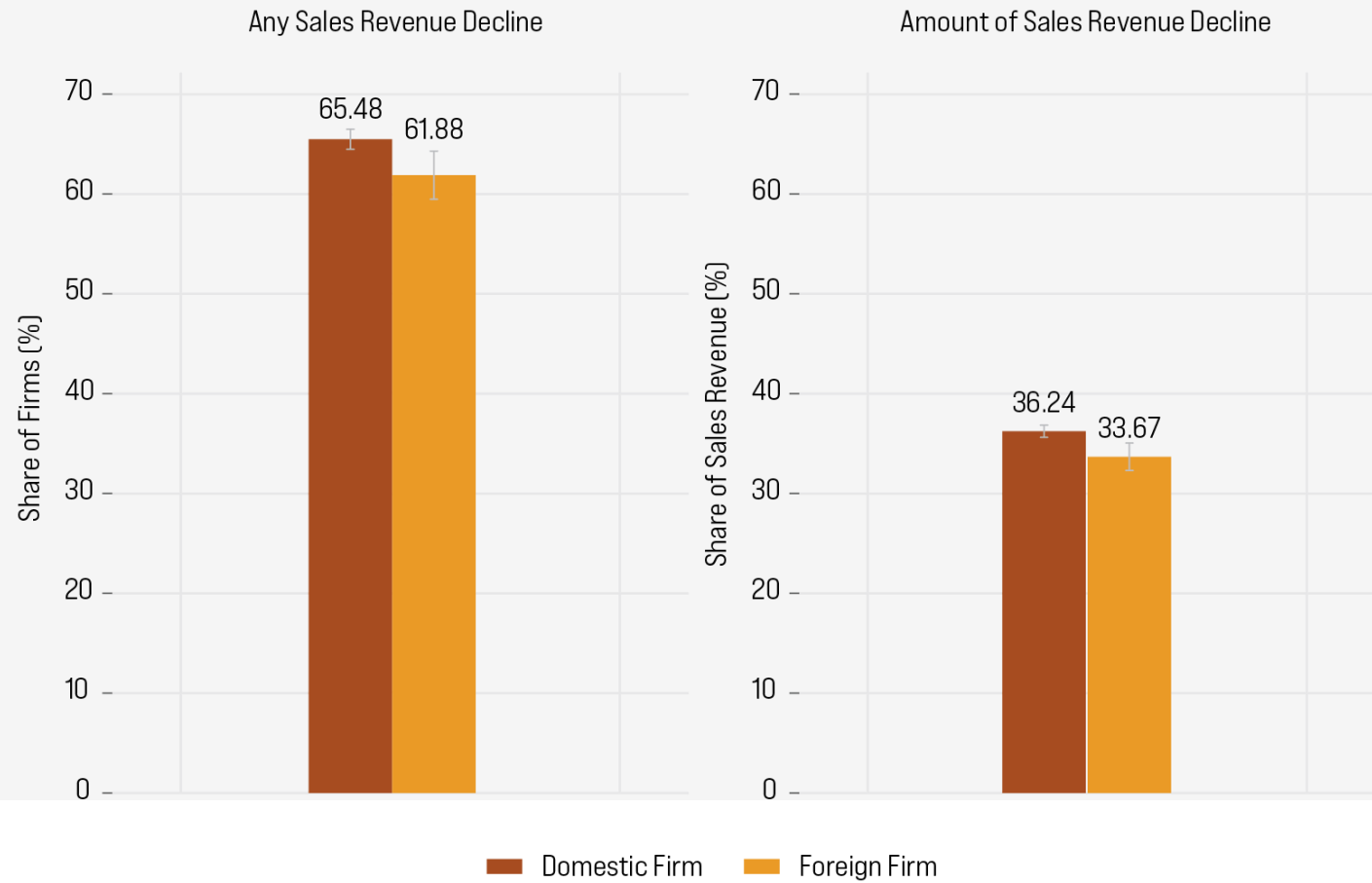


Photo: Chris Pagan, Unsplash.com

Sales revenue declined significantly



The negative effects differ across sectors

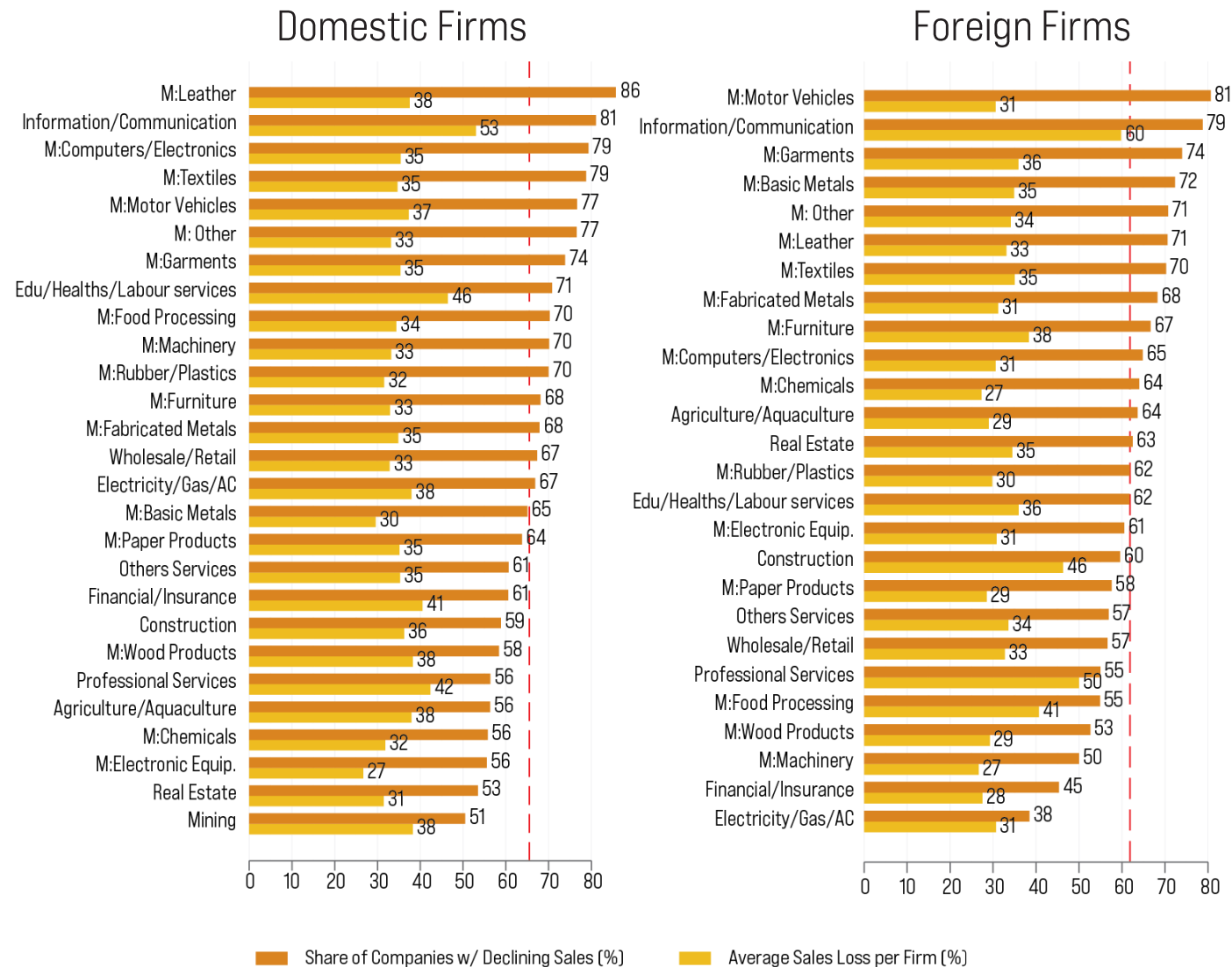


Photo: VnExpress.vn

About one third of firms had to lay off at least one employee in 2020

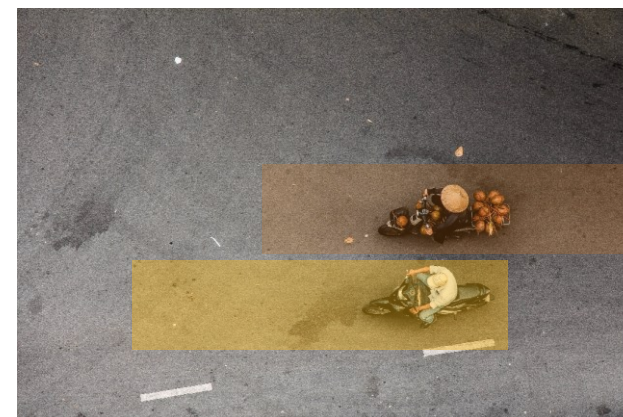
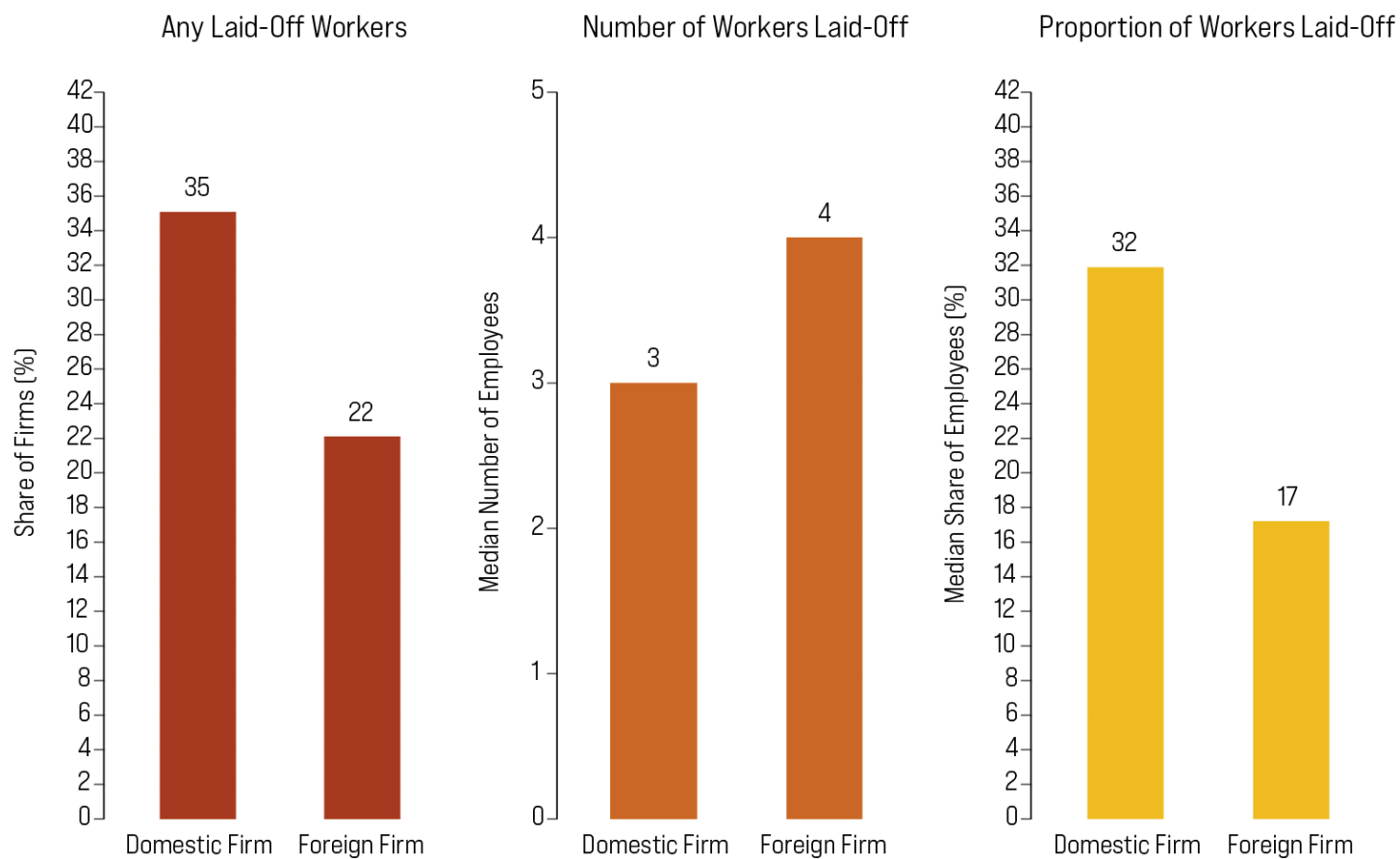


Photo: Unsplash.com

Approaches used by firms to address the crisis

92%

Domestic private firms

96%

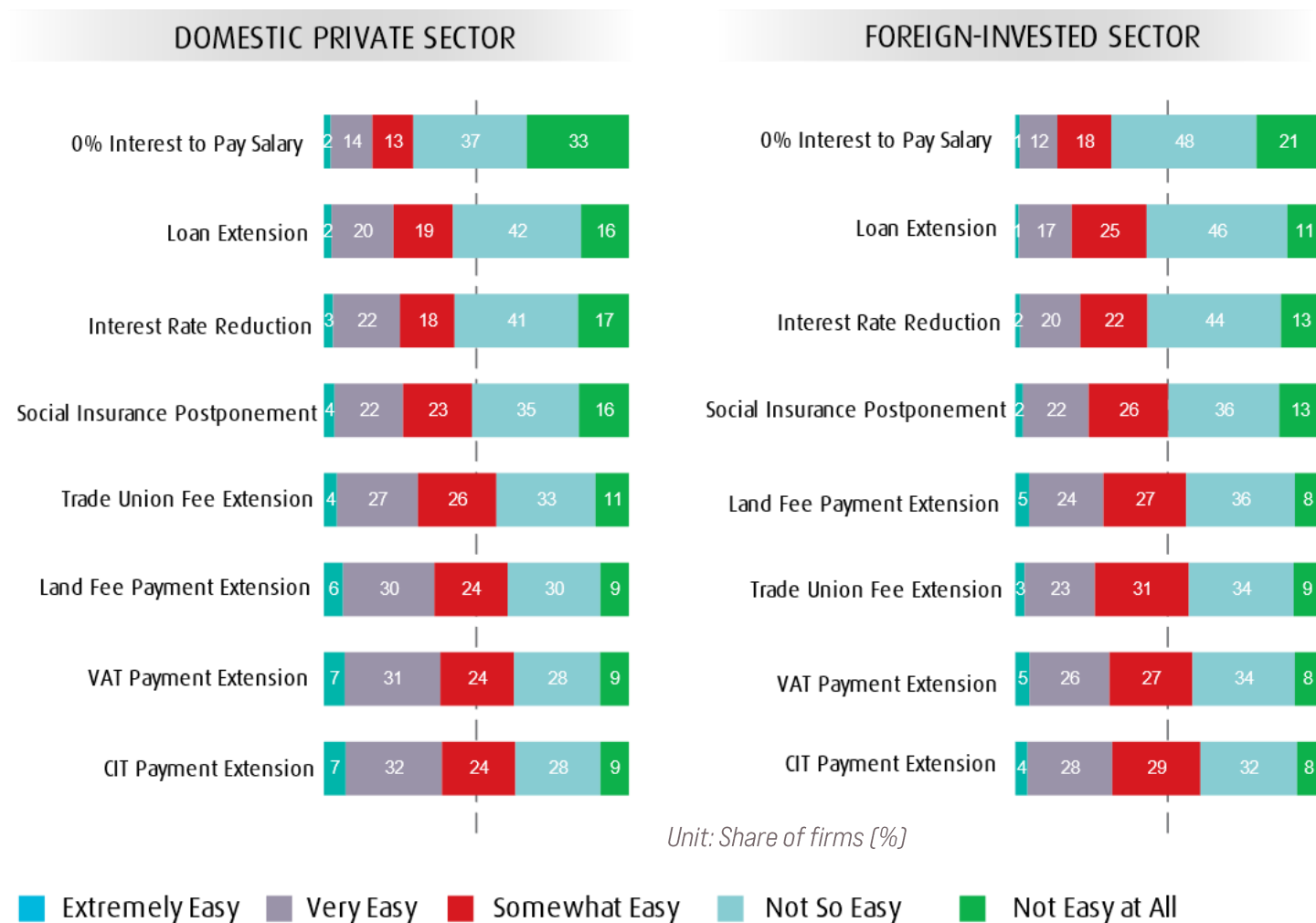
Foreign invested firms

tried at least one measure to ameliorate the negative impacts of COVID-19



Unit: Share of firms [%]

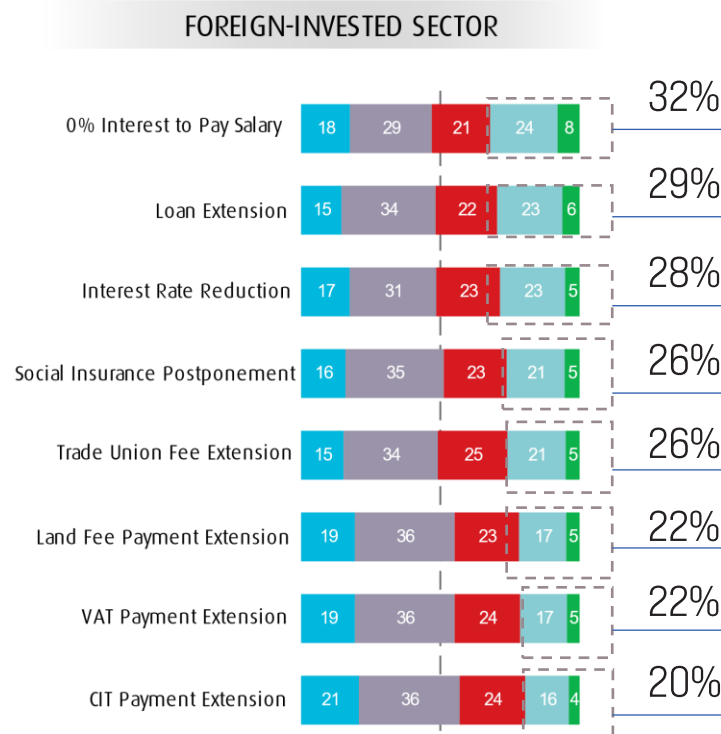
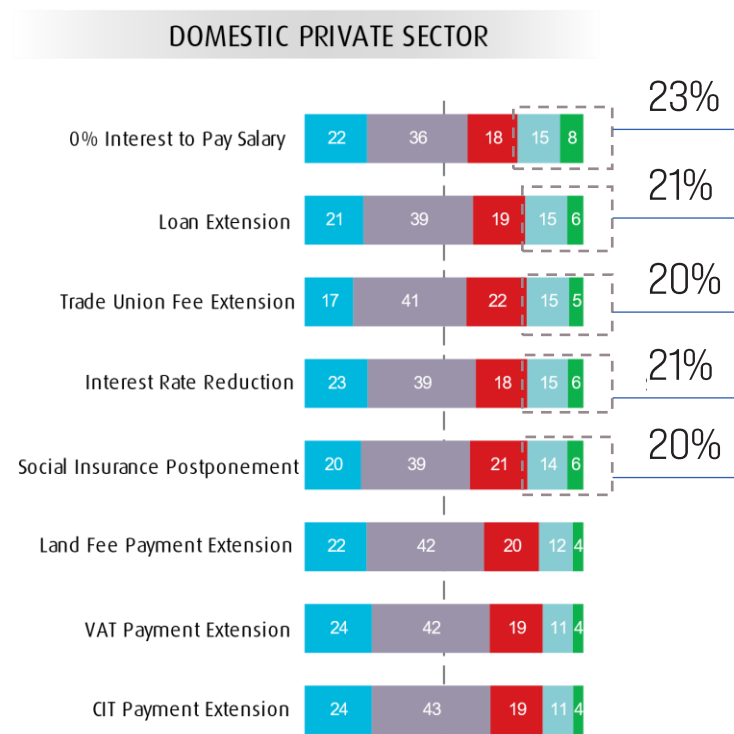
Local and central relief policies to mitigate the crisis



EASE OF ACCESS TO RELIEF

Tax relief on payment extension rated easiest to access while zero interest rate relief rated most difficult to access.

Local and central relief policies to mitigate the crisis



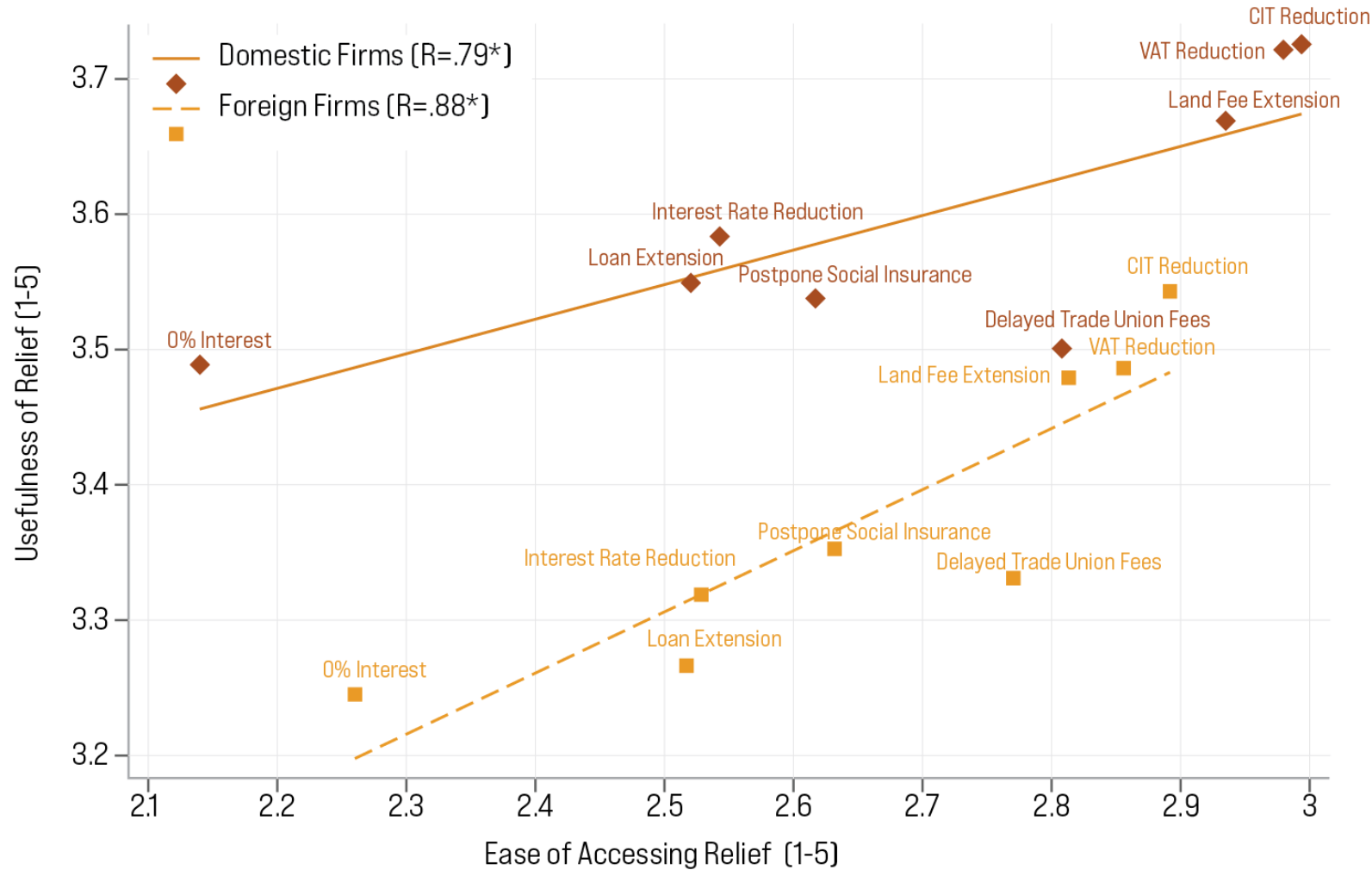
Unit: Share of firms [%]

■ Extremely Useful
 ■ Very Useful
 ■ Somewhat Useful
 ■ Not So Useful
 ■ Not Useful at All

USEFULNESS OF RELIEF

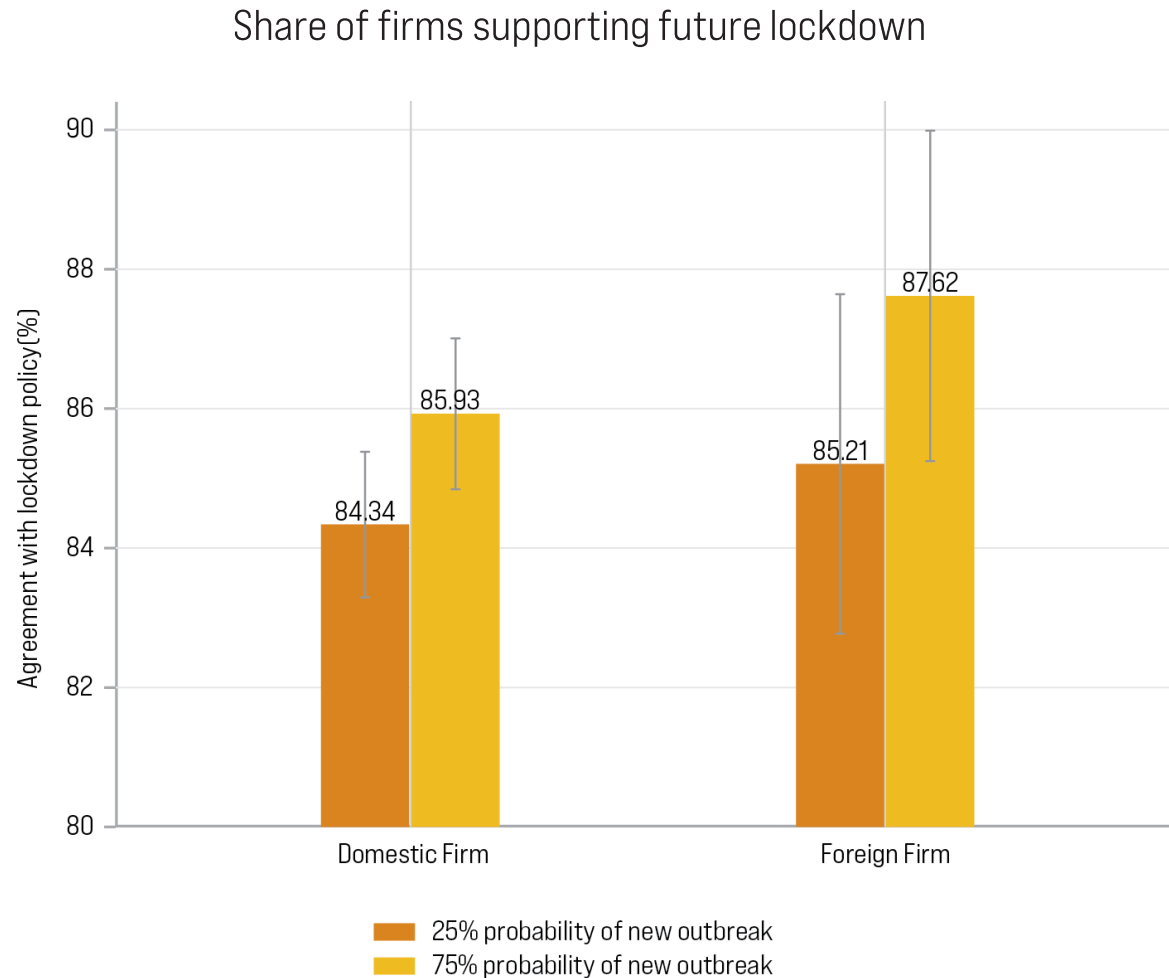
A majority of firms rated the policies as **useful**, but there is plenty of room for improvement.

Local and central relief policies to mitigate the crisis



Tax relief measures were rated higher than other reliefs in both ease of access and usefulness.

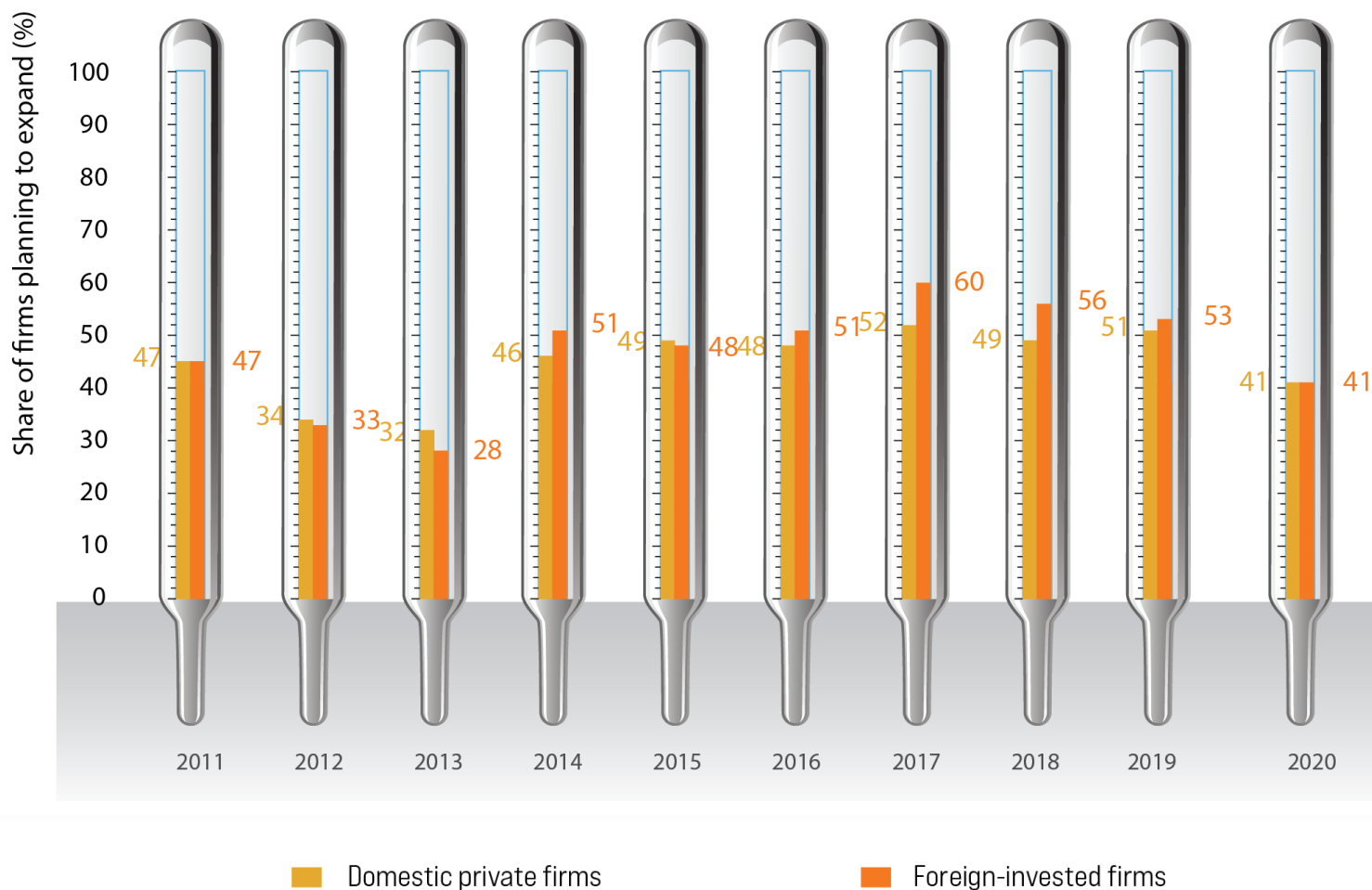
Businesses support future lockdowns if necessary



Major challenges firms are facing



PCI Business Thermometer over time



41%

Only 41 percent of firms (both domestic firms and foreign firms) planned expansion in the next two years – the third lowest level since 2006, when the PCI was conducted in all 63 provinces.



4

SUMMING UP

The 2020 PCI key findings
The impact of COVID-19 to business in Vietnam

The 2020 PCI results and key governance features

- **Quang Ninh** maintained the top ranking for the fourth running year.
- **8 trends** in provincial governance over time
 1. Improvement in the core PCI and convergence among provinces over 16 years
 2. Provincial authorities' proactivity is positively rated
 3. The burden of inspection declines
 4. Law and order reinforced
 5. Business environment becomes less skewed
 6. Administrative procedure reforms progress, but some areas should be further improved
 7. Transparency should be further enhanced
 8. Implementation at local level should be strengthened



The impact of COVID-19 to business in Vietnam

- COVID-19 has negatively impacted business performance at a significant extent.
- Declining domestic market and disrupted supply chains posed major challenges to firms.
- Sales revenues declined sharply due to COVID-19.
- Most sectors suffer from COVID-19 but the level of effects differ.
- About one third of firms had to lay off at least one employee in 2020 due to the crisis.
- Firms in Vietnam became more resilient coping with the crisis.
- Local and central governments provided firms with relief measures to ameliorate the crisis.
- Some tax relief was highly rated in terms of accessibility and usefulness over other relief policies.
- Businesses highly support future lockdowns if necessary.



Ảnh: Prabu Mohan



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THANK YOU!

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