

VCCI

PCI 2024

THE VIETNAM PROVINCIAL COMPETITIVENESS INDEX

*Measuring economic governance
for business development*





Khúc khải hoàn/ Triumphant Song

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**PCI
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FOREWORD

The year 2024 marks a significant milestone in the nearly 20-year journey of implementing the Provincial Competitiveness Index (PCI) – an initiative designed to capture the business community's voice regarding the quality of economic governance and the investment environment in Viet Nam. Over almost two decades, the PCI has become a trusted tool for driving administrative reform, improving the business climate, and enhancing the competitiveness of provinces and cities, thereby contributing to the nurturing and developing the private sector – the backbone of a dynamic and sustainable economy.

The 2024 PCI Report is published at a time when Viet Nam is entering a period of profound transformation, with an ambitious aspiration to achieve GDP growth of eight percent by 2025 and surpass double digits in the following years. This objective requires strong determination to improve institutional foundations, enhance the quality of governance, and create a favorable, efficient, and transparent business environment. In this context, the PCI continues to serve as a mirror reflecting the realities of local governance, enabling provinces and cities to identify their strengths and weaknesses and to chart appropriate paths for improvement.

The 2024 PCI survey benefited from the responses of nearly 11,000 businesses, including both domestic private enterprises and foreign-invested firms. Businesses continue to demonstrate a level of confidence in local authorities, particularly in the dimensions information transparency, labor quality, and online administrative procedure reforms. However, the report also highlights several persistent challenges that warrant attention, such as land access remaining a major obstacle, high compliance costs, and signs of declining dynamism among local governments in certain areas.

The 2024 PCI marks the final year that the report will conduct a comprehensive assessment of all 63 provinces and cities before the process of merging provincial-level administrative units, as stipulated by the Party Central Committee's Resolution No. 60-NQ/TW, is implemented starting in 2025. The streamlining and restructuring of the local government system presents an urgent need to maintain and enhance the quality of governance on a broader and more complex scale. In this context, the PCI serves not only as an assessment tool but also as a vital reference data source to ensure that the merger process proceeds smoothly, efficiently, and towards the goal of harmonious and sustainable development across regions.

We hope that the 2024 PCI Report will continue to serve as a valuable reference for central agencies, local authorities, investors, international organizations, and the business community in their efforts to improve the business environment, enhance competitiveness, and promote sustainable economic growth in Vietnam.



Pham Tan Cong
Chairman and President
Vietnam Chamber of Commerce and Industry

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The 2024 Provincial Competitiveness Index (PCI) Report is an annual publication produced by the Vietnam Chamber of Commerce and Industry (VCCI). This report contributes to the creation of a favorable business environment, with a view toward a green economy and sustainable development in Viet Nam. The annual initiative has been conducted since 2005 with the support of the United States Agency for International Development (USAID) and domestic private sector partners.

The 2024 PCI Report was developed under the overall direction of Pham Tan Cong, Chairman of VCCI, and Dau Anh Tuan, Deputy Secretary General and General Director of VCCI's Legal Department, PCI Director. The report was prepared under the guidance of Professor Edmund Malesky, Director of the Center for International Development at Duke University, USA, and PCI Research Director, who was responsible for the development of the research methodology and the presentation of the analytical findings. Significant contributions to the analysis and report preparation were made by Pham Ngoc Thach, Deputy Director of VCCI's Legal Department, and Dr. Phan Tuan Ngoc, Lecturer in Economics at Fulbright University Vietnam.

The 2024 PCI Report is the result of a comprehensive enterprise survey and effective project management, coordinated by Le Thanh Ha, Division Head of VCCI's Legal Department, and Tran Minh Thu, PCI Program Manager, VCCI Legal Department. The report is based on data collected through a rigorous and high-quality survey process, implemented by more than fifty collaborators under the management and coordination of Nguyen Le Ha, VCCI Legal Department, and Vu Ngoc Thuy, PCI Program Officer. The survey implementation and report development also benefited from the effective support of Nguyen Thi Le Nghia, VCCI Legal Department, as well as Le Thi Hong Hanh, Nguyen Thi Thu Thuong, and Ngo Khanh Huyen, PCI Program Officers.

We would like to express our sincere gratitude to artist Le Quang Sang for granting us permission to use his painting "Khuc Khai Hoan" ("Triumphal Song") as the cover art for this report and as the theme for the PCI 2024 launch event.

We also would like to extend our sincere appreciation to the individuals who have made significant contributions to refining the methodology, promoting the utilization of the PCI findings over the years. Those who have played an important role in the PCI project include: Pham Chi Lan, former Vice Chairwoman of VCCI and former member of the Prime Minister's Research Board; the late Dr. Vu Tien Loc, former Chairman of VCCI; Tran Huu Huynh, former Chairman of the Vietnam International Arbitration Centre; Dr. Le Dang Doanh, senior economist and former member of the Prime Minister's Research Board; Dr. Nguyen Dinh Cung, member of the Prime Minister's Economic Advisory Group and former President of the Central Institute for Economic Management (CIEM); Associate Professor Dr. Tran Dinh Thien, former

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Last but certainly not least, we would like to extend our sincere appreciation to the businesses that generously devoted their valuable time to participate in the 2024 PCI Survey and provide comprehensive, honest, and objective information. These valuable insights enable us to synthesize and convey findings to government agencies in order to improve the business environment, promote green and sustainable development, and deliver tangible benefits to the business community in Viet Nam.

All opinions and statements expressed in this report are those of the research team and do not necessarily reflect the official views of the Vietnam Chamber of Commerce and Industry or the individuals and organizations named above.

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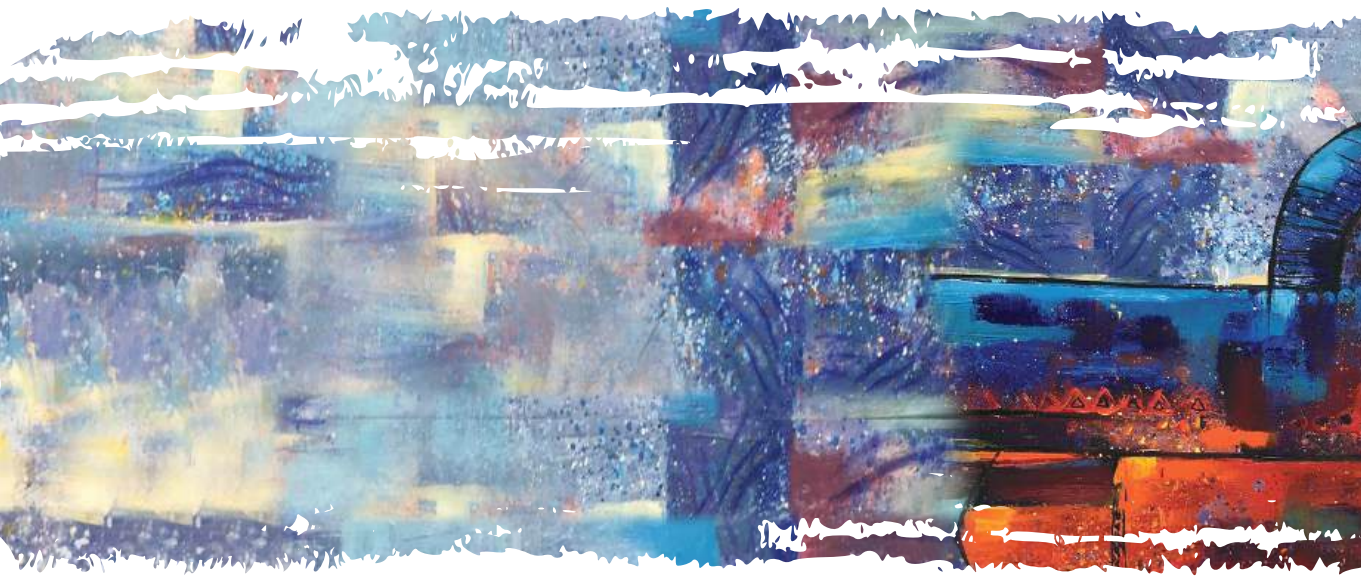
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ABBREVIATIONS AND ACRONYMS

BRVT	Ba Ria - Vung Tau
COVID	Coronavirus disease
DDI	Domestic Direct Investment
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GSO	General Statistics Office
LURC	Land Use Right Certificate
MOET	Ministry of Education and Training
PCI	Provincial Competitiveness Index
PGI	Provincial Green Index
PPC	Provincial People's Committee
PPD	Public-private Dialogue
PRC	People's Republic of China
US	United States
USAID	United States Agency for International Development
VCCI	Vietnam Chamber of Commerce and Industry
VND	Vietnamese Dong





Executive summary

The 2024 Provincial Competitiveness Index (PCI) Report

The 2024 PCI Report is a collaborative research product, conducted annually by VCCI with assistance from the United States Agency for International Development (USAID) and private sector partners, to promote an enabling and environmentally friendly business climate in Viet Nam.

The PCI is designed to assess the ease of doing business, the quality of economic governance, and the effectiveness of administrative reform efforts in 63 provinces and municipalities in Vietnam. It strives to augment the collective voice of investors in Vietnam regarding economic governance in the provinces where they invest and in the country as a whole.

This Executive Summary is divided into two main sections. In the first section, we describe the seven surveys and datasets that we used to create the index and analyze governance reforms in Vietnam. As the PCI has grown, we have added more precise research tools. While examining the report, readers often conflate these very different sources of information. We delineate our data sources and the purposes for which we use them. In the second section, we present our primary research products. Over time, PCI research has diversified beyond our signature index of economic governance for private firms. Each year, we also survey foreign investors, measure business confidence, rank provincial infrastructure improvements, and pursue one particular critical research topic.

I. The PCI Survey and Datasets Used in Research

Analysis in the report is based on seven datasets that the PCI collects and adds to each year as part of its research enterprise:

- *Annual survey of over 8,000 existing domestic private businesses.* In 2024, firms are selected using random sampling to mirror provincial populations. Stratification is used to make sure that firm age, size, legal type, and sector are accurately represented. Among 47,162 businesses were identified, 8,566 domestic private firms in all 63 provinces answered the full survey. The adjusted response rate for the survey is 18.2 percent.
- *Annual survey of newly established enterprises.* This year, we identified 13,033 businesses in all 63 provinces that started operations in 2023 and 2024. Among these new entrants, enumerators were able to verify the locations and contact information of 5,795 firms. From this subgroup, 701 responded, leading to an overall response rate of 12.1 percent. The research teams use these answers exclusively to calculate the first PCI subindex on experiences with business registration and licensing. In the report, we call this the “New Business Survey.”

- *Annual survey of more than 1,500 foreign-invested enterprises (FIEs).* This section reports on data collected from 45 provinces, with a focus on 25 provinces and cities with the highest concentration of foreign direct investment (FDI). These firms are also selected using stratified random sampling. Among 13,111 businesses selected, we contacted 5,577 firms, and received 1,544 responses. The adjusted PCI-FDI response rate is 27.7 percent. The survey includes FIEs from 77 different countries and territories. The highest concentration is businesses from Asia, especially South Korea (29.9 percent), Japan (22.6 percent), and China (13.2 percent). We refer to this throughout as the “PCI-FDI.”
- *Provincial-level panel data on 63 provinces between 2006 and 2024.*¹ This dataset records average levels of 360 measures of economic governance and business performance since the beginning of the PCI for each province. The research teams use these data to track progress over time on governance reforms and the economic outcomes of those endeavors. We refer to this throughout as “PCI panel data.”
- *Core PCI dataset.* These are data collected for each respondent of the PCI domestic survey between 2006 and 2024. These data contain 169,375 individual responses to questions asked in the annual PCI survey. Over 1,078 unique variables are covered.
- *Core PCI-FDI dataset.* This covers data for each respondent of the PCI-FDI survey between 2010 and 2024. These data contain 25,557 individual FIEs’ answers to over 160 questions asked in the annual PCI-FDI survey.
- *Panel data on domestic, private firms.* Panel data are taken from a small sample of Vietnamese firms that have answered the PCI every year since 2006.

II. Research Outputs

Each year, the PCI research report delivers several intellectual products to assist Vietnamese businesses, policy-makers, local government officials, development practitioners, and academic researchers. Below, we describe each of the outputs and the key findings for 2024.

i. The Signature Provincial Competitiveness Index (PCI). Since 2005, this index has ranked Vietnam’s 63 provinces based on economic governance areas that affect private sector development. In the 2024 PCI, we present the top 30 provinces in economic governance [see **Figure 1.12** in Chapter 1].

- What does the index measure? The overall PCI index score comprises ten subindices. A province that is considered as performing well on the PCI is one that has: 1) low

¹ In statistics and econometrics, panel data or longitudinal data are multi-dimensional data involving measurements over time. Panel data contain observations of multiple phenomena obtained over multiple time periods for the same provinces or respondents.

entry costs for business start-ups; 2) easy access to land and security of business premises; 3) a transparent business environment and equitable business information; 4) minimal informal charges; 5) limited time requirements for bureaucratic procedures and inspections; 6) minimal crowding out of private activity from policy biases toward state, foreign, or connected firms; 7) proactive and creative provincial leadership in solving problems for enterprises; 8) high-quality business support services; 9) sound labor training policies; and 10) fair and effective legal procedures for dispute resolution and maintaining law and order.

- How is the index created? The index is produced in a three-step sequence, referred to as the “three Cs”: 1) *Collect* business survey data and published data sources, 2) *Calculate* ten subindices and standardize them on a 10-point scale, and 3) *Calibrate* the composite PCI as the weighted mean of ten subindices with a maximum score of 100 points.
- How does the index address changes in economic reform policies? To ensure the PCI reflects recent changes in the business environment of Vietnam as perceived by businesses and provides a useful tool for policymakers, every four years, the PCI re-evaluates its methodology and recalibrates the index. Recalibrations were conducted in 2009, 2013, 2017, and 2021, with the weights updated in 2022 to ensure that the subindices with the greatest weights were those that had the largest impact on business growth and performance over time. The dynamic nature of the Vietnamese economy and ongoing reform efforts require these periodic adjustments.
- Which are the top provinces according to this year’s PCI? Hai Phong City topped the list for the first time with a score of 74.84 points. Second in this year’s ranking is Quang Ninh (73.20 points). Coming in third and fourth place, respectively, are Long An (72.64 points) and Bac Giang (71.24 points). The remaining members of the Top 10 are BRVT (71.17 points), Hue City (71.13 points), Hau Giang (70.54 points), Phu Tho (70.35 points), Dong Thap (70.35 points), and Hung Yen (70.18 points).

ii. Trends in Changes in Provincial Economic Governance Quality Over Time

The PCI 2024 report notes nine notable trends in provincial governance quality.

- Improvement over time. The 2024 PCI index results, when compared over the past two decades, reveal a continuous improvement in provincial economic governance quality over time. This trend is illustrated through two key measures: the weighted composite PCI index (hereafter referred to as the PCI index) and the core PCI

index.² The PCI score for the median province nationwide reached 67.67 points in 2024, an increase of more than one point compared to 2023. This marks the eighth consecutive year that the median province's PCI score has exceeded 60. The core PCI score for 2024 in the median province was 68.18 points, 1.6 points higher than in 2023, signifying continuous improvement since 2016.

- Labor quality has improved. The survey results for several indicators of the Labor Training in 2024 show a significant improvement compared to previous years. In 2024, the percentage of businesses rating general and vocational education in the province stands at 68 percent and 63 percent, respectively, an increase from the past two years. Moreover, 54 percent of businesses reported that the quality of the local workforce fully or mostly meets their employment needs in 2024, up from 47 percent in 2023. Companies also noted improvements in recruiting unskilled labor, technical staff, and management and supervisory personnel, with success rates of 63 percent, 37 percent, and 30 percent in 2024, respectively, higher than the previous year.
- Transparency has increased significantly. Businesses reported that access to planning and legal documents in 2024 scored 3.11 and 3.23 respectively, the highest results since this survey began in 2006. Additionally, in 2024, only 31 percent of businesses stated that “connections” were necessary to obtain provincial documents, nearly halving from 61 percent in 2021, marking the lowest level to date. Easier access to information may also contribute to enhanced predictability of provincial compliance with central regulations and local legal changes, with these indicators reaching 40 percent and 39 percent respectively, in 2024, the highest in the past four years.
- Market Entry Procedures Have Become More Favorable. The usual time taken for registration and amendments is around seven days and six days, respectively, significantly lower than the approximately one month when VCCI first started collecting this data twenty years ago. In 2024, businesses continue to appreciate the quality of business registration procedures, with 93 percent noting transparency, 91 percent acknowledging clear and comprehensive guidance, and 86 percent praising the expertise and friendliness of registration staff. Conditional business licensing procedures also showed improvement in the 2024 survey compared to 2023. However, less than 50 percent of businesses are satisfied with conditional business licensing procedures in the 2024 survey. This indicates that there is still significant room for improvement in facilitating market entry for businesses in the future.

² The PCI index represents the weighted composite score, updated every four years to promptly reflect changes in Vietnam's business environment. Meanwhile, the core PCI index consists of a set of 35 indicators that have been consistently maintained over time. Both measures are calculated on a scale with a maximum score of 100

- Legal institutions and public order continue to be maintained at a high level. In the median province in 2024, 91 percent of businesses trusted the legal system's ability to protect issues such as copyright and contract enforcement, a figure consistently above 90 percent for the past four years. Similarly, 93 percent of businesses believed that "provincial courts properly adjudicate economic cases," 88 percent felt that "provincial courts resolve economic matters promptly," and that "court judgments and decisions are enforced manner." Additionally, 89 percent of businesses agreed that "legal aid agencies effectively support businesses in disputes." In 2024, 83 percent of businesses reported that local security conditions were good, an increase from the 77-78 percent range over the previous three years.
- The Proactivity of the Provincial Government Appears to be Decreasing. In 2024, only 77 percent of businesses reported that provincial authorities were flexible within the legal framework to create a favorable business environment, down from 86 percent in 2021-2022 and 82 percent in 2023. Similarly, only 71 percent of businesses noted that the Provincial People's Committee (PPC) was dynamic and creative in addressing new issues, a drop from 80 percent in 2022 and 77 percent in 2023. In 2024, as many as 26 percent of businesses observed that the province's reaction to unclear central policies/documents was to "delay implementation and seek guidance" or "do nothing," compared to just 19 percent in 2021. Another noteworthy point from the 2024 survey is that only 53 percent of businesses perceived the provincial government's attitude toward the private sector as positive, a significant decline from 64 percent in 2021. This decline urges provincial governments to act on General Secretary To Lam's directives to genuinely support private sector growth.
- The Quality of Handling Administrative Procedures Shows Signs of Slowing Down. Nearly 24 percent of businesses spend more than 10 percent of their time understanding and implementing state legal regulations, up from 20 percent in 2023 and 2022. In 2024, 83 percent of businesses reported that the time required for administrative procedures was shorter than the regulations, a slight decrease from 86 percent the previous year. About 79 percent of businesses in 2024 reported not needing multiple visits to complete procedures, compared to around 82-83 percent in 2022 and 2023. Regarding inspection burdens, 22 percent of businesses in 2024 indicated overlapping content in inspections, a significant increase from 8.5 percent in 2023. However, there are positive developments: fewer businesses faced frequent inspections, and satisfaction with online administrative procedures has grown significantly. In 2024, only about 5 percent of businesses reported being inspected more than three times a year, down from 7 percent in 2023 and approximately 10 percent in 2021. Additionally, businesses noted the effectiveness of online administrative procedures, with 79 percent not encountering difficulties using this method. Similarly, 79 percent of businesses reported that online procedures saved

time, and 78 percent reported cost savings. These three indicators have improved significantly since 2021, which directly reflects the success of the government's push for online procedures and digital transformation.

- More Challenges in Land Access. The percentage of businesses facing no obstacles in accessing land or expanding their premises dropped to 33 percent in 2024, a significant decrease from 55 percent in 2021, 48 percent in 2022, and 41 percent in 2023. Only 51 percent of businesses that completed land-related administrative procedures in the past two years did so without difficulty, down from 59 percent in 2023. Among companies that engaged in land administration procedures, 68 percent reported that the most significant obstacle was the prolonged processing time for land records, exceeding the timelines stated in official regulations (compared to 64 percent in 2023). Additionally, 59 percent of businesses indicated that the procedures for determining land use value were time-consuming (up from 44 percent in 2023). About 51 percent of companies noted that officials responsible for receiving and processing administrative procedures did not provide detailed and complete guidance (compared to 46 percent in 2023), 49 percent mentioned that the process and procedures for handling land records did not align with the content listed or the official regulations (compared to 46 percent in 2023), and 41 percent indicated that the land prices differed from the regulated price frame (compared to 37 percent in 2023)
- Informal Charges Are Returning. In 2024, nearly 37 percent of businesses reported paying informal costs, slightly up from 33 percent in 2023. The proportion of businesses paying informal costs to inspection officials was nearly 28 percent, a significant rise from 16 percent the previous year. The percentage of businesses paying informal costs for obtaining conditional business licenses reached nearly 55 percent, a considerable increase from 2023. Similarly, about 50 percent of businesses acknowledged paying informal costs during land administrative procedures, compared to nearly 38 percent in 2023. The percentage of businesses paying informal costs in public procurement bidding at local levels also marginally increased from 27.6 percent in 2023 to 28.6 percent in 2024. Nevertheless, the 2024 survey results highlight some positive aspects of efforts to reduce informal costs for businesses. Only about 2.3 percent of businesses reported spending more than 10 percent of their revenue on informal costs, continuing an incremental and steady decline since 2010. Compared to the peak of nearly 13 percent in 2006, the first year this indicator was surveyed, the burden of informal costs on businesses in 2024 has decreased significantly. While 53 percent of businesses in 2023 reported having disputes but chose not to pursue court action due to concerns about the phenomenon of "offering bribes to solicit favorable judgment is common," this figure dropped to 44 percent in 2024.

iii. Challenges to Business Operations in 2024. The PCI continued a module asking businesses about the greatest obstacles to business success in the 2024 survey.

- Key challenges. The top five obstacles are accessing banks or other forms of credit (54 percent), finding customers (49 percent), market downturn (38 percent), finding business partners (20 percent), and getting suitable personnel (20 percent).

iv. PCI Business Thermometer. Each year, respondents to the PCI survey answer a question about their investment plans for the next year. We then record and plot the share of respondents planning to “increase the size of their operations.” The measure has become an elegant indicator of optimism and confidence felt by the business community regarding its economic prospects, and it serves as an excellent leading measure of per capita GDP growth (see **Figure 1.2**, Chapter 1 and **Figure 3.1** Chapter 3).

- Optimism restored. The 2024 survey results indicate that 33 percent of businesses plan to expand in the next two years, an increase from 27 percent in 2023. For foreign-invested enterprises (FIEs), the proportion of firms planning to expand their business operations is 37 percent, a significant increase compared to 26 percent in the previous year. Although this is an improvement, it is important to note that recovery has not yet reached the pre-COVID-19 levels, when around 50 percent of businesses typically planned expansion. Additionally, businesses continue to face new challenges, particularly with global economic fluctuations and the uncertainty of the rapidly evolving 2025 U.S. tariff policies. This underscores the need for stronger government intervention to improve the business investment environment and support enterprises to reinforce and drive the growth of the private economic sector, becoming a “lever for a prosperous Vietnam,” as emphasized by General Secretary To Lam.

Policy Recommendations: The 2024 PCI report highlights positive developments in efforts to improve the business environment and promote the private economic sector, a crucial pillar for Vietnam’s sustainable economic growth. However, the PCI 2024 results also indicate areas needing improvement, particularly in land access, compliance costs, and the declining dynamism of local government machinery. To meet business expectations and developmental demands in the new phase, authorities must continue to advance institutional reforms, foster public-private dialogue, and enhance policy execution efficiency.

As Vietnam enters a new development era with ambitious goals—an 8 percent GDP growth target for 2025 and double-digit growth in the following years as directed by the Party and Government—maintaining and enhancing local economic governance quality is a critical and decisive task. Improving the business environment is not only a necessary condition but also a core driver for Vietnam to achieve its aspiration of becoming a strong nation, standing shoulder to shoulder with developed economies in the region and the world.

- v. ***The Provincial Green Index:*** The PGI was initiated by VCCI, USAID, and private partners to assess the importance of environmental protection in Vietnam's growth trajectory and has been developed over the past six years. Like its cousin, the PCI, the PGI aggregates the perception of businesses into a common voice to communicate their views on environmental policy to national and local decision-makers. A province that performs well on the PGI is one that makes an effort to combat pollution and private environmental accidents (subindex 1), designs and implements reasonable regulations that ensure compliance without creating overwhelming burdens (subindex 2), provides appropriate guidance to firms on green operations and operates environmentally friendly procurement (subindex 3), and incentivizes green operations through targeted incentives and subsidy programs (subindex 4).

The goal of the PGI is to provide actionable policy advice to national and subnational officials about the appropriate policy goals to reduce the impact of climate change and pollution on business performance and longevity. Consequently, the PGI, like the PCI, is an input-based ranking that is constructed with indicators capturing policy inputs (measures of provincial actions) that could be potentially correlated with climate and pollution outcomes that Vietnam cares about.

Assembly of the PGI adheres to the same methodology employed in the PCI and Infrastructure Index, which the research team describes as the three Cs: *Collection* of survey and administrative data; *Construction* of theoretically coherent subindices to critical environmental policy arenas; and a *Calibration* subindex based on the relative importance of the measures. The 2024 PGI is comprised of 41 indicators, which are divided into four subindices that measure the effectiveness of green private sector development policy at the provincial level in Vietnam.

After constructing the index, several critical findings emerge:

- ***Vietnam's commitment to green growth is paying dividends in terms of measurable improvement in environmental governance.*** The mean PGI score has improved by 3.9 points, from 21.00 points in 2023 to 25.39 points in 2024, representing a 17% improvement in the past year. A similar change in the median province score over time, which grew from 21.9 points in 2023 to 24.9 points today. All 63 provinces in this year's PGI demonstrated some improvement.
- ***PGI improvements were recorded on all four subindices of the PGI in 2024 compared to 2023, with two clear countervailing trends.*** The largest improvements were recorded in subindex 4, measuring provincial incentives and support services (1.3), and subindex 2, measuring regulatory standards (1.14 points). Subindex 3 on covering provincial environmental leadership also recorded nearly a point improvement. The

smallest gains of 0.15 points were made in efforts to reduce pollution and enhance disaster resilience for two reasons. First, that index had the highest score in 2023, making improvements more challenging. Second, however, during the summer of 2024, just before the surveys were collected, northern Vietnam experienced the devastating Yagi typhoon, which affected 26 Northern Provinces and 3.6 million people, causing more than 300 fatalities and an estimated USD1.77 billion in economic losses. Most locations provided surprisingly resilient and recovered quickly, however, many small businesses were experiencing storm-related challenges at the time of the survey.

Two clear countervailing trends emerge across indices:

- First, provincial environmental regulatory enforcement is increasing, which is leading to greater environmental compliance on the part of businesses.* In subindex 1, 59 percent of businesses report that environmental quality is good, compared to 57 percent in 2023; 31 percent claim to experience lower pollution compared to 29 percent in 2023; and 56 percent claim that pollution is not a problem, an 11-point improvement over 2023! In subindex 2, we see evidence of greater enforcement propelling these numbers. In 2024, 53 percent of businesses had at least one environmental inspection, increasing from 46 percent in 2023. Eighty-one percent of firms claim that the province has measures to punish polluters, up nearly 6.9 percentage points over 2023. At the same time, 78 percent of respondents say that the province takes timely action to deal with pollution, representing a 7.3 point increase. This 2024 PGI data, also previously shown with experimental evidence, demonstrates that one of the most robust drivers of corporate green upgrading, especially for domestically oriented businesses, is enhanced regulation. In subindex 3, 20 percent of businesses agreed that regulation was the primary reason they made environmental upgrades, compared to 14.3% in 2023. In this way, the increased regulation is directly connected to the 49 percent of firms that engaged in green upgrading this year (subindex 3), and the 36 percent operating in green industries (subindex 4), representing 10 and 5 percentage points increased above previous benchmarks.
- However, as inspections and regulatory enforcement have increased, firms express greater frustrations with administrative burdens and fairness.* Last year, only 5 percent of firms cited environmental inspectors as creating excess regulatory burdens. In 2024, however, over twice that amount (11.5 percent) cited environmental inspections as a burden. Only 1.1 percent of firms reported harmonization of visits by different agencies to reduce the regulatory burden, which is down slightly from 2023. Only one-quarter of respondents thought the inspections were fair, measured by whether the issues highlighted, problems identified, citations issued, and fines levied were legitimate and reasonable, which represents a five percentage point

reduction from the already low score of 30 percent in 2023. Finally, bribes during these inspections more than doubled in 2023. Fifty percent of firms nationwide paid an informal charge to an environmental inspector in 2024, compared to only 22 percent of businesses last year. Thus, while the inspection seems to be working, much more effort needs to be made to convince firms that environmental inspections are worthwhile by improving the quality of regulation they experience

- **The 2024 PGI results:** Hai Phong ranks first overall due to its cumulative performance across all four subindices, achieving a total score of 29 points. It is followed by Vinh Long [28.16], Ha Nam [28.04], Bac Ninh [27.78], and Binh Duong [27.64]
- **Policy Recommendations:** Vietnam's economic growth has brought it to an important crossroads. The remarkable success it has achieved in reaching middle-income status could be undermined by the growing threat of environmental and climatic disasters that damage infrastructure, hinder business operations, and threaten livelihoods. It is important now to put in place the governance infrastructure that will allow policymakers to address these threats while navigating the difficult trade-offs between ensuring continued business dynamism and limiting activities that, by increasing pollution and contributing to climate change, could undercut long-term and sustainable economic development. This year's PGI scores show that Vietnam is making progress along this path.

vi. Analysis of the PCI-FDI Survey. Each year, we present the findings from the PCI-FDI survey regarding governance improvements and challenges that influence the performance of foreigninvested enterprises (FIEs) in Vietnam.

- Overview of FDI in 2024. In 2024, Vietnam maintained strong resilience in foreign direct investment (FDI) inflows, attracting approximately \$38.23 billion in total registered capital, comparable to the previous year's figure. Newly registered capital reached \$19.7 billion (down 7.6 percent year-on-year), while additional capital into existing projects surged by 50.4 percent. Processing and manufacturing continued to dominate, capturing nearly 70 percent of new capital. Singapore remained the top source of new FDI, followed by South Korea, the PRC, Hong Kong, and Japan.
- Characteristics of FIEs: The PCI-FDI survey shows an evolving profile of FIEs. The share of very small firms (fewer than 10 employees) declined to 17.5 percent, while mid-sized firms expanded. Sectoral trends reveal continued strength in wholesale and retail, professional services, and technology manufacturing. A notable trend is the rising share of FIEs focusing on the domestic market: sales to Vietnamese SOEs and government agencies rose sharply. Meanwhile, sourcing from Vietnamese private firms and household businesses continued to deepen supply chain integration.

- Performance of FIEs. Foreign-invested enterprises (FIEs) in Vietnam demonstrated a cautious recovery in 2024. The share of firms planning to increase investment rose to 40.0 percent, while profitability improved modestly to 48.7 percent. The share of loss-making firms fell sharply to 22 percent — the lowest in several years. However, employment growth softened, with only 49.5 percent of firms adding employees.
- Challenges Regarding Regulatory Burden. Regulatory burdens continued to ease, with harassment rates from inspections falling to a record low of 3.1 percent. Clearance times for exports and imports remained stable. However, concerns over tax procedures spiked sharply, with 35 percent of firms identifying taxes as the most troublesome issue, up from 16 percent the previous year, amid intensified enforcement efforts targeting transfer pricing.
- Policy Recommendations. To sustain momentum in an environment of unpredictable challenges arising from recent upheavals in U.S. tariff policy and the global trade environment, Vietnam should prioritize simplifying tax procedures and streamlining regulatory compliance to reduce the time firms spend on bureaucratic processes. Greater efforts are also needed to strengthen domestic supply chain linkages and invest in human capital development, particularly in technical and supervisory roles. These measures are essential for helping Vietnam move up the value chain and maintain its attractiveness amid unexpected developments in the global investment environment





Chapter

01

Domestic Survey and the Provincial Competitiveness Index

1.1. Introduction

The 2024 Provincial Competitiveness Index (PCI) Report marks 20 years of the Vietnam Chamber of Commerce and Industry's (VCCI) efforts to enhance the business and investment environment in Vietnam. Since 2005, VCCI has annually conducted business surveys on the business climate, gathering and widely publishing annual data and reports. These reflect the genuine opinions of enterprises to various levels of government. This reliable and objective information has been a critical resource for central and local government agencies in formulating and improving policy and legal implementation, making conditions more favorable for business operations. Numerous reforms have been implemented, significantly contributing to the robust growth of the Vietnamese business community, which has expanded from 113,000 enterprises in 2005³ to approximately 940,000 by the end of 2024.⁴ This increase also reflects the economy's development and VCCI's relentless efforts to support businesses and improve Vietnam's business environment over the years.

The PCI survey has evolved into a reliable and effective channel for the business community, especially micro, small, and medium enterprises (MSMEs), to express their opinions and expectations for a favorable business environment to the government. The increasing number of enterprises participating in the PCI survey over time is a clear testament to this. In 2005, when the PCI was piloted in 45 provinces and cities, only 1,957 businesses participated. By 2006, with the survey expanded nationwide, this number rose to 6,319 and has since stabilized at around 10,000 participants annually. In 2024, 10,821 enterprises responded, including 9,267 domestic private enterprises and 1,554 foreign-invested enterprises (FDI). Over the past two decades, approximately 200,000 businesses have participated in the PCI survey, including 175,000 domestic private enterprises and nearly 23,000 FDI companies.⁵ Considering there are roughly 940,000 businesses operating in Vietnam by the end of 2024, this means that on average, one in every five businesses has voiced their opinions through this survey.

3 General Statistic Office (2007), Statistical Year Book of Viet Nam 2006, retrieved at <www.gso.gov.vn>

4 Investment Review (2025), Comprising nearly 98% of all businesses, small and medium-sized enterprises play a crucial role in the economy, retrieved at <<https://baodautu.vn/chiem-gan-98-tong-so-doanh-nghiep-doanh-nghiep-nho-va-vua-dang-o-dau-trong-nen-kinh-te-d249574.html>>

5 Note that FDI survey data is used to understand foreign investors' perceptions of the business environment in Vietnam (as presented in Chapter 3). Meanwhile, data from private enterprise surveys is combined with statistical data from state agencies to construct the Provincial Competitiveness Index (PCI) (as presented in Chapter 1), which assesses the quality of local economic governance to improve the business environment and promote enterprise development in provinces and cities.

Table 1.1. Total Responses of PCI Survey by Year

Year	Number of DDI Responses	Number of FDI Responses	Total
2005	1.957		1.957
2006	6.319		6.319
2007	6.700		6.700
2008	7.820		7.820
2009	9.891		9.891
2010	7.300	1.165	8.465
2011	7.087	1.952	9.039
2012	8.169	1.540	9.709
2013	8.093	1.609	9.702
2014	9.859	1.533	11.392
2015	10.158	1.584	11.742
2016	10.037	1.550	11.587
2017	10.245	1.756	12.001
2018	10.681	1.577	12.258
2019	10.846	1.583	12.429
2020	10.731	1.564	12.295
2021	10.127	1.185	11.312
2022	10.590	1.282	11.872
2023	9.127	1.549	10.676
2024	9.267	1.554	10.821
Total	175.004	22.983	197.987

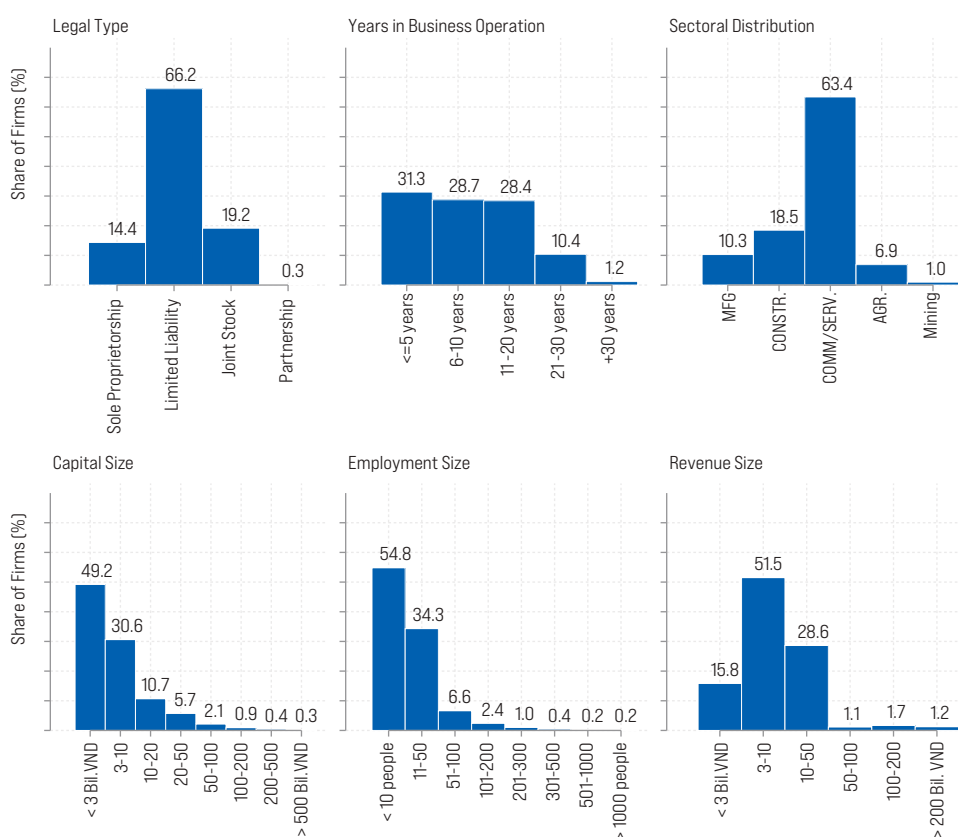
1.1.1. Characteristics of Respondent Enterprises

Adhering strictly to international standards for scientific surveys,⁶ the stratified random sampling process ensures that the enterprises responding to the PCI survey share similar characteristics with the overall business landscape in Vietnam. **Figure 1.1** below illustrates the characteristics of private enterprises participating in the 2024 PCI survey. Most of these enterprises are structured as limited liability companies (LLCs), accounting for 66.2 percent

⁶ The sampling was conducted based on a list of active enterprises in each province and city, categorized by legal type, years of operation, and main business sector. For more details on the PCI index methodology, refer to the PCI 2021 Report at <www.pcivietnam.vn>.

of the sample, followed by joint-stock companies (19.2 percent, sole proprietorships (14.4 percent), and partnerships (0.3 percent). Regarding operational duration, 31.3 percent of businesses have been active for less than five years, 26.7 percent for 6-10 years, 28.4 percent for 11-20 years, while 10.4 percent have been operating for 21-30 years, and 1.2 percent for over 30 years. In terms of business sectors, 63.4 percent are engaged in services and trade, followed by construction at 18.5 percent, manufacturing at 10.3 percent, agriculture at 6.9 percent, and mining at 1 percent. The majority are small and medium-sized enterprises (SMEs) in terms of capital, workforce, and revenue. These SMEs are the primary focus of the PCI, which aims to convey their voices and aspirations to government authorities at all levels.

Figure 1.1. Characteristics of Private Firm Respondents in the 2024 Survey



Source: The 2024 Domestic PCI Survey Question A2. "In what year was the firm granted a business registration certificate", Question A4.2 "What is your firm's current legal form?", Question A5 "In which field does your firm mainly focus?", Question A7 "What was the total equity capital of your firm?", Question A9. "Which statement best characterizes your firm's overall performance?" The table presents the percentage of firms selecting each question by survey year.

1.1.2. Major Challenges Faced by Businesses

The 2024 PCI Survey asked enterprises to identify the primary challenges they face. Consistent with previous years, the survey listed fifteen issues encompassing various aspects of business operations for enterprises to choose from, including access to credit, customer acquisition, business premises, suppliers, partners, recruitment, natural disasters, climate change, and pandemics (see **Table 1.2** for details). The data collected over the years provides valuable input for the development and implementation of support programs by government authorities and related organizations.

A positive sign found in the 2024 survey is the reduction in the percentage of enterprises experiencing difficulties in certain areas compared to 2023. Notably, the percentage of businesses facing credit access issues dropped to 54 percent from 57 percent in 2023, marking a halt in the continuous increase of this difficulty from 2019 to 2023. Nevertheless, credit access remains the top challenge since 2022, highlighting the need to intensify and innovate solutions for this problem. Another positive note is the decline in the percentage of enterprises reporting difficulties due to the COVID-19 pandemic, which fell to 13 percent in 2024 from a peak of 67 percent in 2021. This trend indicates the effectiveness of government measures in response to COVID-19 and demonstrates the adaptive resilience of Vietnamese businesses.

However, **Table 1.2** reveals that 2024 remains a challenging year for enterprises. Of the fifteen listed challenges, eleven saw an increased percentage of enterprises experiencing difficulties compared to 2023. These challenges include market volatility, recruitment, finding partners and suppliers, policy changes, natural disasters and climate change, business premises, administrative procedures, infrastructure, and intellectual property protection. Market volatility was highlighted by 38 percent of enterprises, maintaining its position as the third most selected issue from previous years. The ongoing international economic fluctuations over the past two years have likely impacted Vietnamese enterprises significantly. Additionally, the percentage of businesses facing difficulties due to natural disasters and climate change rose to 18 percent, a notable increase from the previous year. Super Typhoon Yagi, the strongest storm in 70 years, caused significant damage in Northern Vietnam in September 2024, alongside other extreme weather events, likely contributing to this increased concern that we elaborate upon in Chapter 2. Another issue noted in the 2024 survey is the rising difficulty in accessing business premises compared to the previous year. This trend aligns with specific data on land access in the PCI index, which will be analyzed further in the subsequent section of this chapter.

The challenging situation for businesses may be one of the fundamental reasons leading to a significant number of enterprises withdrawing from the market in 2024. Specifically, according to the General Statistics Office (GSO), the number of businesses exiting the

market in 2024 reached 197,861, the highest ever recorded. Among them, 100,098 businesses temporarily ceased operations, 76,155 were awaiting dissolution procedures, and 21,608 were dissolved in 2024, reflecting increases of 12 percent, 16 percent, and 20 percent, respectively, compared to 2023.⁷

Table 1.2. Major Challenges Faced by Share of Firms (percent)

Challenge	2021	2022	2023	2024
To get financing	47	56	57	54
To find customers	69	55	49	49
Market downturn	32	24	34	38
Finding biz partners	24	21	17	20
To get suitable personnel	27	11	14	20
Abrupt changes in policies & regulations	16	9	15	18
Climate change and natural disasters	17	9	12	18
To find suppliers	23	10	13	18
Epidemic (COVID-19)	67	34	26	13
To find suitable premises	13	5	6	12
To deal with administrative matters	13	7	9	10
Poor infrastructure	8	4	6	8
Others	4	3	5	7
Enforcement of contracts with customers and vendors	8	4	6	6
Security of land and other property rights	3	5	3	5
Intellectual property infringement	3	1	3	4

Source: The PCI Survey. [Question E1](#): "Do you face any difficulties in the following activities and services when running your business?"

1.1.3. Business Thermometer Over Time

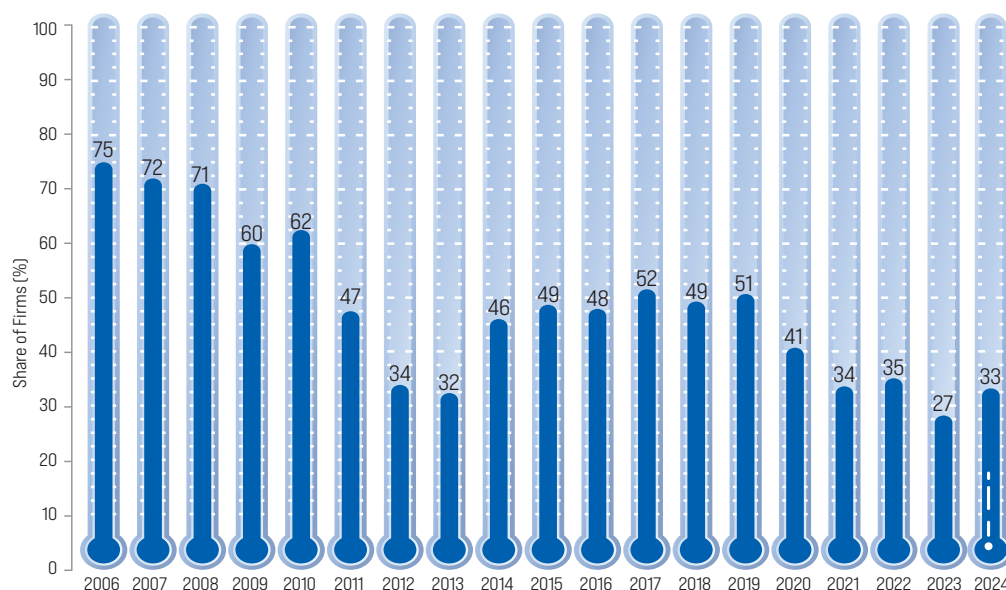
The 2024 PCI Survey continues to include questions regarding business plans for the next two years, such as whether businesses intend to expand, maintain their current size, downsize, or close. The percentage of businesses planning to expand, as shown in the Business Thermometer chart (**Figure 1.2**), is a leading economic indicator of short-term business prospects.

The 2024 survey results indicate that 33 percent of businesses plan to expand in the next two years, an increase from 27 percent in 2023. Although this is an improvement, it is important to note that recovery has not yet reached the pre-COVID-19 levels, when around 50 percent of businesses typically planned expansion. Additionally, businesses continue to face new challenges, particularly with global economic fluctuations and the uncertainty of the

7 General Statistics Office (2025), Economic-Social Situation Report for Q4 and Year 2024, retrieved at <www.gso.gov.vn>

rapidly evolving 2025 U.S. tariff policies. This underscores the need for stronger government intervention to improve the business investment environment and support enterprises to reinforce and drive the growth of the private economic sector, becoming a “lever for a prosperous Vietnam,” as emphasized by General Secretary Tô Lâm.⁸

Figure 1.2. Business Thermometer Over Time



Source: PCI Domestic Survey over the years. Question A.10 “Which statement best characterizes your firm’s investment plans over the next 2 years?” The percentage of businesses shown in the illustration represents those that have selected “Plan to increase the size of operations” or “consider increasing the size of operations.”

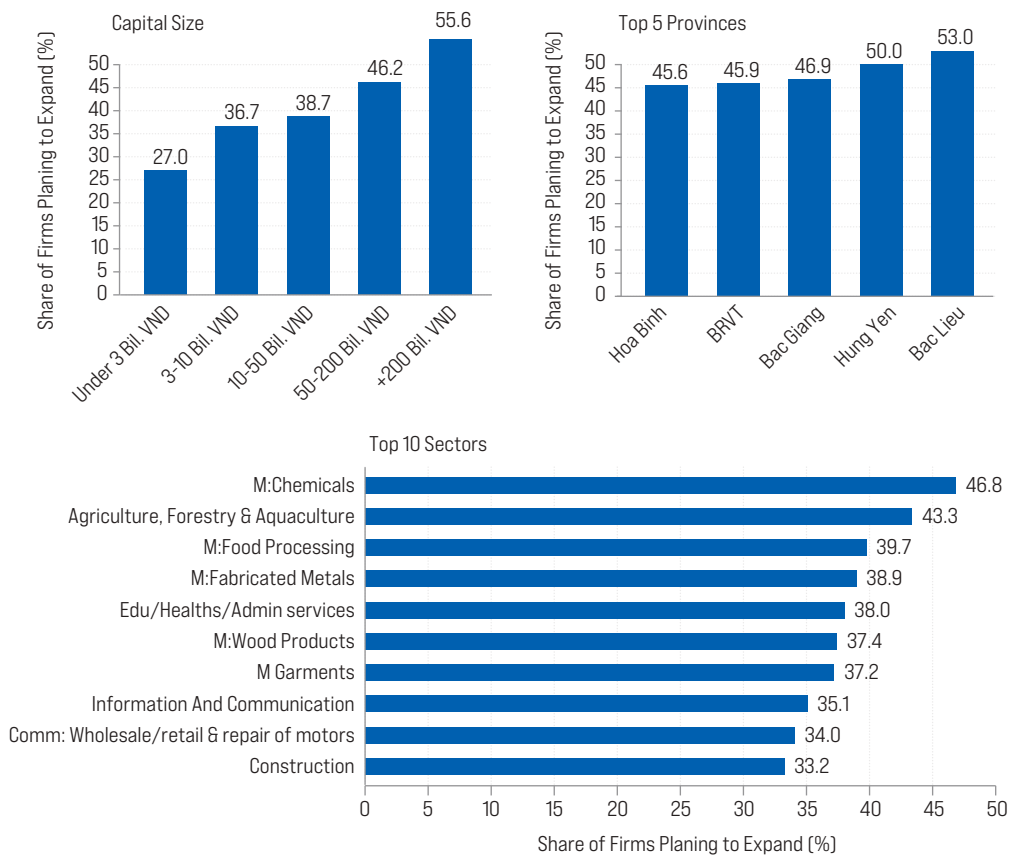
In the 2024 survey, several prominent findings emerge regarding planned expansion in business operations when we disaggregate based on firm characteristics (**Figure 1.3**). Medium and large enterprises exhibit the highest level of optimism, with 46 percent of companies with a scale of 50-200 billion VND and 56 percent of those with over 200 billion VND planning to expand their operations in the near future. These figures represent a significant increase from the 38 percent and 39 percent recorded in the 2023 survey. Even among micro-enterprises, with a scale of under 3 billion VND, 27 percent expressed intentions to expand, marking a 5 percent rise from the 2023 survey. The top 10 sectors with the highest percentage of businesses planning to expand include chemicals (47 percent), agriculture-forestry-fishery (43 percent), food processing (40 percent), metal products (39 percent), healthcare-education-administration (38 percent), wood products (37 percent), apparel (37 percent), information technology (35 percent), wholesale, retail, and motorbike repair (34

⁸ General Secretary Tô Lâm, Developing the Private Economy – A Lever for a Prosperous Vietnam, retrieved at

< <https://xaydungchinhachsach.chinhphu.vn/phat-trien-kinh-te-tu-nhan-don-bay-cho-mot-viet-nam-thinh-vuong-119250318000126845.htm>>

percent), and construction (33 percent). The planned expansion in these sectors in Vietnam is primarily driven by increasing domestic demand, foreign investment, and strategic positioning within global supply chains. Additionally, government support, competitive labor costs, and favorable trade agreements enhance their growth potential. The five localities with the highest percentage of businesses expecting to expand operations are Bac Lieu (53 percent), Hung Yen (50 percent), Bac Giang (47 percent), Ba Ria-Vung Tau (46 percent), and Hoa Binh (46 percent). The high percentage of businesses planning to expand in those provinces may be largely due to targeted industrial development, strategic location, infrastructure improvements, and proactive investment attraction strategies. While the survey results provide valuable insights into planned business expansion in Vietnam, it's important to interpret these findings cautiously. Since the survey concluded in December 2024, the global landscape has shifted, including changes in US tariff policies and other unforeseen circumstances, which could influence business decisions and investment plans.

Figure 1.3. Domestic Business Thermometer by Firm Characteristics



Source: 2024 Business environment survey. [Question A.10](#) "Which statement best characterizes your firm's investment plans over the next 2 years?" The percentage of businesses shown in the illustration represents those that have selected "Plan to increase the size of operations " or "consider increasing the size of operations."

1.2. Key Features of Provincial Economic Governance Over Time

The PCI 2024 index continues the mission begun in 2005 of establishing a favorable business environment and promoting the growth of domestic private enterprises. This is achieved by assessing the economic governance quality and administrative reforms of provinces and centrally governed cities in Vietnam. Last updated in 2021, the PCI methodology comprises 10 subindices with 142 criteria, reflecting economic governance areas that impact the development of the private sector. A province or city is highly rated in economic governance if it has: 1) Low market entry costs; 2) Easy and stable access to land; 3) A transparent business environment with publicly available information; 4) Low informal costs; 5) Streamlined administrative procedures; 6) A level playing field for competition; 7) Proactive and innovative governance in solving business issues; 8) Accessible and enterprise-friendly policies and support services; 9) Good labor training policies; and 10) Fair and efficient dispute resolution procedures that ensure security and order for business operations. These aspects, corresponding to the 10 subindices of the PCI index, play a crucial role in ensuring a conducive environment for business operation and development.

The methodology for constructing the PCI 2024 index follows a consistent three-step process that has been in place since 2005. These steps are: (i) *Collecting* information from survey data and other published sources; (ii) *Calculating* and normalizing 10 component indices on a 10-point scale; and (iii) *Calibrating* weights and calculating the scores. The composite PCI score is a weighted average of the 10 subindices on a maximum 100-point scale.⁹

The 2024 PCI index results, when compared over the past two decades, reveal a continuous improvement in provincial economic governance quality over time. **Figure 1.4** illustrates this trend through two key measures: the weighted composite PCI index (hereafter referred to as the PCI index) and the core PCI index. The PCI index represents the weighted composite score, updated every four years to promptly reflect changes in Vietnam's business environment.¹⁰ Meanwhile, the core PCI index consists of a set of 35 indicators that have been consistently maintained over time. Both measures are calculated on a scale with a maximum score of 100.

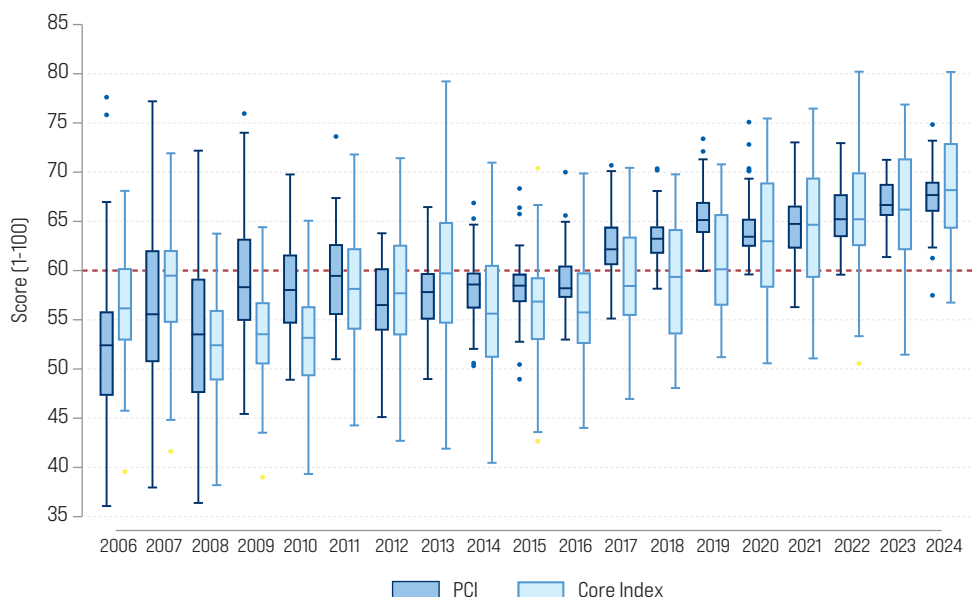
The trend of improving economic governance quality at the local level is clearly reflected in the PCI and core PCI scores of the median province over the years. Specifically, the PCI score for the median province nationwide reached 67.67 points in 2024, an increase of more than 1

⁹ With the latest update in PCI 2022, the composite PCI score is calculated on a 100-point scale, with weights assigned as follows: 5% for Market Entry Costs, Transparency, and Time Costs; 10% for Land Access and Stability in Land Use, Fair Competition, Labor Training, and Legal and Orderly Institutions; and 15% for Informal Charges, Proactivity of Local Government, and Business Support. For more details, refer to the PCI 2022 Report.

¹⁰ The previous updates were in 2009, 2013, 2017 và 2021.

point compared to 2023. This marks the eighth consecutive year that the median province's PCI score has exceeded 60. The core PCI score for 2024 in the median province was 68.18 points, 1.6 points higher than in 2023, signifying continuous improvement since 2016. Notably, the PCI and core PCI scores of the top-ranked province in the 2024 survey reached 74.84 and 80.18 points, respectively, an improvement over the previous year. This indicates that several provinces have made significant strides in enhancing the business investment environment over the past year. Since 2014, when the government began issuing annual resolutions on improving the business environment and enhancing national competitiveness,¹¹ the PCI scores have shown a clear upward trend. This suggests that many provinces and cities have actively engaged in and are effectively implementing this crucial initiative.

Figure 1.4. Box Plots of the Aggregate PCI and Core Index over Time (2016-2024)

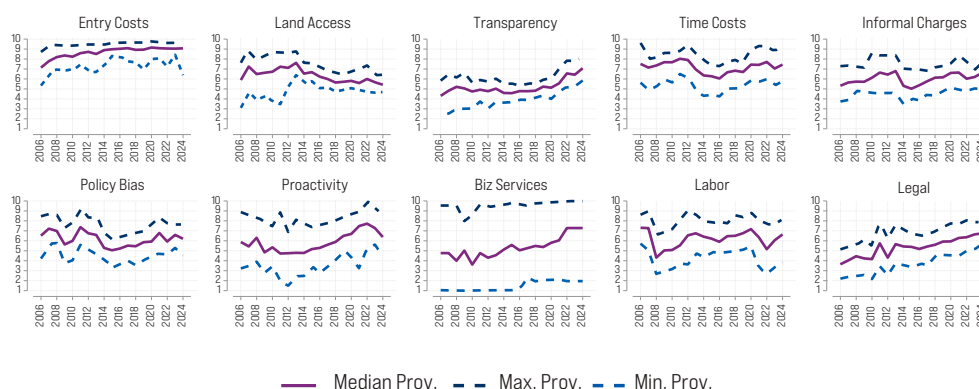


Note: We use box plots to demonstrate the PCI and the Core Index scores. Blue boxes indicate the aggregate PCI, and light blue boxes present core PCI scores. The horizontal lines in the middle of each box present the median scores (equal to the score of the provinces ranked 32nd) of a specific year, representing the quality of economic governance of the whole country. The lower and upper edges of each box provide the scores at the 25th percentile (the 16th-ranked province) and the 75th percentile (the 48th-ranked province). The ends of the range bar provide the lowest and highest PCI values. Dots outside the range bars are outliers – provinces that scored extraordinarily low or high that year.

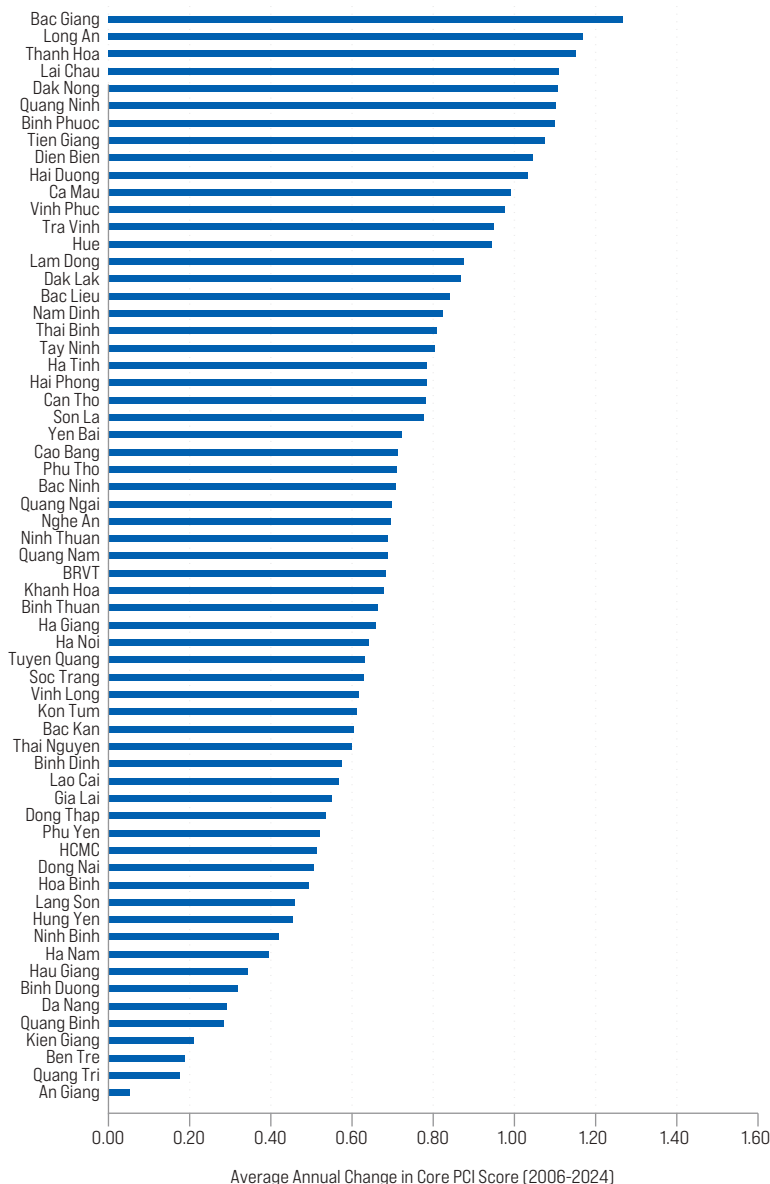
¹¹ From 2014 to 2018, the government annually issued Resolution 19 on tasks and solutions for improving the business environment and enhancing national competitiveness. From 2019 to 2022, it was replaced by a series of Resolution 02 on the same topic. In 2023, the government integrated content on improving the business environment and enhancing national competitiveness into Resolution 01 concerning key tasks and solutions for implementing the socio-economic development plan, state budget estimates, and improving the business environment and national competitiveness for 2023. In 2024, the government returned to issuing Resolution 02 on primary tasks and solutions for improving the business environment and enhancing national competitiveness for that year.

Figure 1.5 provides a detailed description of the changes in the core PCI subindices from 2006 to 2024, showing trends for median, maximum, and minimum provincial performance. Generally, most subindices display a gradual improvement in median scores over the years, with some fluctuations. The maximum provincial scores are consistently higher, indicating leading provinces perform better across these metrics, while the minimum scores highlight areas needing improvement. Most sub-indices have improved over time, notably Legal Institutions, Transparency, Market Entry, and Business Support, significantly contributing to the overall upward trend of the core PCI index from 2006 to 2024.

Figure 1.5. Trend of Change in the Core PCI and Subindices over Time



The improvement in the quality of economic governance in provinces and cities is clearly illustrated in **Figure 1.6**, which shows changes in the average core PCI scores for 63 provinces and cities from 2006 to 2024. A common characteristic is positive improvement, with all 63 provinces and cities experiencing positive changes in their average scores during the assessment period. Bac Giang leads in improving its core PCI score, having moved from the lower ranks in the early years to significant improvement, especially since 2020. Long An and Thanh Haa rank second and third in terms of annual average increases in core PCI scores, exemplifying the transformation of provinces that were initially in the middle group. The next group consists of Lai Chau and Dak Nong, ranking fourth and fifth, respectively, showcasing significant progress from being in the lower group in recent years. Figure 1.6 also highlights several provinces and cities as key investment destinations with considerable improvements in core PCI scores, indicating how they continue to maintain their attractiveness as investment locations, with businesses there noting positive changes in economic governance quality over time.

Figure 1.6. Average Annual Change in Core PCI Scores of 63 Provinces

Using the PCI data updated with the latest methodology in 2021, this section provides an overview of the key aspects of local economic governance over the past four years. The main features of provincial economic management can be observed through changes in the scores of the 10 subindices of the PCI, as shown in Figure 1.7, highlighting eight notable points, including:

- (1) Labor quality has improved.
- (2) Transparency has increased significantly.
- (3) Market entry has become more favorable.
- (4) Legal institutions and public order continue to be maintained at a high level.
- (5) The dynamism and pioneering spirit of local government show signs of decline.
- (6) There is a need to improve the quality of administrative procedures.
- (7) Access to land remains challenging.
- (8) Efforts to reduce informal costs should continue to be strengthened.

Figure 1.7. Scores of 10 PCI Subindices between 2021-2024



95% Confident Interval

1.2.1. Labor quality has improved

The Labor Training subindex reflects the level and quality of vocational training and skill development activities implemented by provinces to support local production and business sectors, as well as to facilitate job opportunities for the local workforce. The survey results for several indicators of the Labor Training in 2024 show a significant improvement compared to previous years. Specifically, in 2024, the percentage of businesses rating general and

vocational education in the province stands at 68 percent and 63 percent, respectively, an increase from the past two years. Moreover, 54 percent of businesses reported that the quality of the local workforce fully or mostly meets their employment needs in 2024, up from 47 percent in 2023. Companies also noted improvements in recruiting unskilled labor, technical staff, and management and supervisory personnel, with success rates of 63 percent, 37 percent, and 30 percent in 2024, respectively, higher than the previous year.

Table 1.3. A Sample of Provincial-Level Indicators on Labor Quality over Time

Indicator	Measure	2021	2022	2023	2024
Services provided by provincial agencies: high school education [% Very Good or Good]	Min	46.24	24.37	39.81	42.57
	Median	69.23	58.14	63.28	68.04
	Max	80.89	78.14	82.61	84.17
	Correlation w/ Previous Year	0.43*	0.40*	0.27*	0.18
Services provided by provincial agencies: vocational training [% Very Good or Good]	Min	30.22	24.19	34.15	32.69
	Median	54.24	50.41	56.19	61.86
	Max	70.19	68.92	78.63	85.59
	Correlation w/ Previous Year	0.62*	0.53*	0.41*	0.29*
Overall satisfaction with labor [% Agreeing Labor Meets Firm Needs]	Min	21.00	19.10	28.57	25.86
	Median	54.76	39.23	47.41	54.44
	Max	80.49	69.38	64.06	77.92
	Correlation w/ Previous Year	0.46*	0.28*	0.34*	0.01
The ease level of the recruitment of manual labor [% Very easy or Easy]	Min	51.19	23.53	30.95	42.74
	Median	73.39	58.00	58.09	62.86
	Max	93.75	82.98	78.05	81.82
	Correlation w/ Previous Year	N.A	0.26*	0.18	0.21
The ease level in the recruitment of technical staff [% Very easy or Easy]	Min	16.30	8.24	15.87	13.73
	Median	35.19	35.42	31.34	37.14
	Max	69.07	61.70	53.75	72.38
	Correlation w/ Previous Year	N.A	0.03	0.08	-0.07
The ease level in the recruitment of managers & supervisors [% Very easy or Easy]	Min	16.48	9.52	13.70	7.69
	Median	30.36	31.07	27.69	29.81
	Max	50.55	55.21	52.33	62.11
	Correlation w/ Previous Year	N.A	-0.13	-0.14	-0.01

Indicator	Measure	2021	2022	2023	2024
Percentage of trained employed workers at 15 years of age and above, by province	Min	10.27	10.66	11.93	12.20
	Median	20.07	23.37	22.90	23.30
	Max	48.50	50.27	50.30	50.80
	Correlation w/ Previous Year	N.A	0.93*	0.99*	1.00*
Average High school graduation score (MOET)	Min	4.80	5.62	5.60	5.83
	Median	6.16	6.29	6.42	6.67
	Max	7.01	7.05	7.22	7.46
	Correlation w/ Previous Year	N.A	0.77*	0.96*	0.97*

Note: * Statistical significance level: 5 percent. N.A: Not applicable

1.2.2. Transparency has increased significantly

The Transparency subindex evaluates the ability of businesses to access information regarding provincial policies and regulations—essential documents for business operations. Numerous studies have shown that transparency is one of the most crucial factors distinguishing business environments that facilitate the growth of the private sector. As illustrated in **Table 1.4**, in the 2024 survey, several indicators of the Transparency Index showed improvements compared to 2023. Specifically, businesses reported that access to planning and legal documents in 2024 scored 3.11 and 3.23 respectively, the highest results since this survey began in 2006. Additionally, in 2024, only 31 percent of businesses stated that “connections” were necessary to obtain provincial documents, nearly halving from 61 percent in 2021, marking the lowest level to date. Easier access to information may also contribute to enhanced predictability of provincial compliance with central regulations and local legal changes, with these indicators reaching 40 percent and 39 percent respectively in 2024, the highest in the past four years. The quality of information on provincial and city government websites also improved in 2024, which likely correlates with the Vietnamese government’s active pursuit of e-governance reforms. These reforms, such as the National Digital Transformation Program and initiatives for digital government, aim to enhance transparency, efficiency, and accessibility.

Table 1.4. A Sample of Provincial-Level Indicators on Transparency over Time

Indicator	Measure	2021	2022	2023	2024
Access to planning documents (1=Impossible to access; 5=Easy to access)	Min	2.22	2.68	2.65	2.76
	Median	2.68	3.04	2.94	3.11
	Max	3.02	3.35	3.36	3.49
	Correlation w/ Previous Year	-0.06	0.00	0.03	0.23
Access to legal documents (1=Impossible to access; 5= Easy to access).	Min	2.79	2.84	2.77	2.89
	Median	3.06	3.15	3.11	3.23
	Max	3.35	3.54	3.63	3.57
	Correlation w/ Previous Year	-0.07	0.08	-0.01	0.33*
Relationship important or very important to get access to provincial documents (% Important or Very Important)	Min	26.77	14.00	14.02	12.11
	Median	60.63	36.47	32.08	30.68
	Max	86.74	56.90	64.75	51.58
	Correlation w/ Previous Year	-0.23	0.10	0.32*	0.08
Predictability of implementation of central laws at the provincial level (% possible - Usually, Always and Sometimes)	Min	19.20	10.96	10.17	18.40
	Median	33.64	27.54	31.82	39.86
	Max	53.41	58.26	57.50	77.10
	Correlation w/ Previous Year	0.15	0.28*	0.02	-0.15
Predictability of regulations issued at the provincial level (% Usually or Always)	Min	14.28	10.84	10.26	18.40
	Median	34.29	27.83	31.96	39.23
	Max	55.68	55.65	56.79	65.38
	Correlation w/ Previous Year	N.A	0.16	0.03	-0.23
Business Associations' role in advising and countering provincial policies (% Important or Very Important)	Min	27.47	32.71	47.96	53.64
	Median	63.64	67.83	70.45	73.33
	Max	82.39	86.21	91.67	85.44
	Correlation w/ Previous Year	-0.08	0.26*	0.12	0.15
Openness and quality of provincial webpage	Min	24.88	35.66	25.00	34.82
	Median	41.26	52.61	48.04	55.63
	Max	62.56	62.90	64.00	63.05
	Correlation w/ Previous Year	0.32*	0.37*	0.47*	0.33*

Note: * Statistical significance level: 5 percent. N.A: Not applicable

1.2.3. Market Entry Procedures Have Become More Favorable

The 2024 survey results also reveal that market entry procedures continue to improve, making it easier for businesses. This improvement is noticeable in both business registration and conditional business licensing procedures. For business registration, the usual time taken for registration and amendments is around seven days and six days,¹² respectively, significantly lower than the approximately one month when VCCI first started collecting this data twenty years ago. In 2024, businesses continue to appreciate the quality of business registration procedures, with 93 percent noting transparency, 91 percent acknowledging clear and comprehensive guidance, and 86 percent praising the expertise and friendliness of registration staff. Conditional business licensing procedures also showed improvement in the 2024 survey compared to 2023. However, as shown at the end of **Table 1.5**, less than 50 percent of businesses are satisfied with conditional business licensing procedures in the 2024 survey. This indicates that there is still significant room for improvement in facilitating market entry for businesses in the future.

Table 1.5. Some indicators of Market Entry over the Years

Indicator	Measure	2021	2022	2023	2024
Dimension 1. Business Registration					
Length of business registration in days (Median)	Min	5	5	3	3
	Median	7	7	7	7
	Max	15	15	14	14
	Correlation w/Previous Year	0.297*	0.46*	0.70*	0.08
Length of business re-registration in days (Median)	Min	3	3	2	3
	Median	5	7	7	6
	Max	10	14	17	10.5
	Correlation w/Previous Year	0.18	0.19	0.20	0.31*
Procedures at one-stop-shop are transparently listed (% Agree)	Min	38.89	37.04	51.52	66.67
	Median	66.67	92.68	94.12	92.86
	Max	95.12	100.00	100.00	100.00
	Correlation w/Previous Year	-0.28*	0.06	0.99*	-0.05
Guidance and instruction on procedures at the one-stop-shop are clear and adequate (% Agree)	Min	37.04	29.63	47.22	66.67
	Median	73.68	80.00	84.21	90.91
	Max	100	100	100	100
	Correlation w/Previous Year	0.17	-0.11	0.96*	0.16

¹² Note: These figures may differ from official business registration statistics, as VCCI's Market Entry Survey asks businesses to calculate the time from initial submission to receiving results.

Indicator	Measure	2021	2022	2023	2024
Dimension 1. Business Registration					
Staff at one-stop-shop are professional and knowledgeable [% Agree]	Min	18.52	30.00	37.50	44.44
	Median	44.74	73.33	80.00	85.71
	Max	82.86	100.00	100.00	100.00
	Correlation w/Previous Year	-0.07	-0.01	0.96*	0.16
Staff at one-stop-shop are friendly [% Agree]	Min	18.18	10.00	15.63	25.00
	Median	50.00	67.50	75.61	86.36
	Max	85.71	100.00	100.00	100.00
	Correlation w/Previous Year	0.21	-0.08	0.94*	-0.10
Guidance on how to complete the sublicense is clear and adequate [%]	Min	34.29	12.35	22.92	9.84
	Median	57.69	29.09	45.59	47.50
	Max	80.00	59.60	62.39	70.21
	Correlation w/Previous Year	N.A	0.27*	0.82*	0.02
Firms did NOT encounter any difficulties in obtaining the sublicense [%]	Min	21.05	11.11	22.92	9.84
	Median	41.38	27.40	41.51	47.50
	Max	68.42	56.57	58.97	70.21
	Correlation w/Previous Year	N.A	0.26*	0.83*	0.08
The settlement procedures applied to my application for a conditional line sublicense were exactly as specified by the governing regulation [%]	Min	27.91	12.35	23.96	9.84
	Median	55.88	28.92	43.33	47.73
	Max	80.77	63.64	65.81	70.21
	Correlation w/Previous Year	N.A	0.23	0.84*	0.09
The procedures for obtaining the sublicense did NOT take longer than specified by the governing regulation [%]	Min	23.81	11.04	21.88	9.84
	Median	48.26	27.12	42.22	45.00
	Max	84.62	46.94	55.74	65.38
	Correlation w/Previous Year	N.A	0.12	0.83*	0.02
The fees for obtaining the sublicense were NOT more expensive than specified by the governing regulation [%]	Min	23.08	9.88	21.88	9.84
	Median	42.50	27.59	42.65	47.50
	Max	68.00	46.94	56.45	69.23
	Correlation w/Previous Year	N.A	0.32*	0.83*	0.03

Note: * Statistical significance level: 5 percent. N.A: Not applicable

1.2.4. Legal institutions and public order continue to be maintained at a high level

Law and Security is a subindex of the PCI designed to measure private enterprises' trust in provincial court systems and judicial processes, as well as local authorities' efforts in ensuring security for business operations in the area. The data presented in **Table 1.6** indicates that the average score for this subindex has been high recently, demonstrating that local governments continue to be highly rated by businesses for the stability and reliability of the legal environment and the security conditions where they operate. For example, in the median province in 2024, 91 percent of businesses trusted the legal system's ability to protect issues such as copyright and contract enforcement, a figure consistently above 90 percent for the past four years. Similarly, 93 percent of businesses believed that "provincial courts properly adjudicate economic cases," 88 percent felt that "provincial courts resolve economic matters promptly," and that "court judgments and decisions are enforced in a timely manner." Additionally, 89 percent of businesses agreed that "legal aid agencies effectively support businesses in disputes." In 2024, 83 percent of businesses reported that local security conditions were good, an increase from the 77-78 percent range over the previous three years.

Table 1.6. A Sample of Provincial-Level Indicators on Law and Security over Time

Indicator	Measure	2021	2022	2023	2024
Dimension 1. Firm's confidence in the judicial system					
Provincial court judges economic cases by the law [% Agree or Strongly Agree]	Min	85.84	85.71	85.32	81.08
	Median	94.17	91.78	93.08	92.65
	Max	100.00	98.29	98.31	99.22
	Correlation w/Previous Year	0.27*	0.01	0.22	0.06
	Min	60.11	75.00	75.90	77.68
Provincial court resolves economic cases quickly [% Agree or Strongly Agree]	Median	81.61	87.50	88.31	87.59
	Max	91.27	95.21	95.65	96.12
	Correlation w/Previous Year	0.13	0.00	0.29*	0.25*
	Min	60.11	75.00	75.90	77.68

Indicator	Measure	2021	2022	2023	2024
Dimension 1. Firm's confidence in the judicial system					
Court judgements are enforced quickly [% Agree or Strongly Agree]	Min	60.61	72.55	79.67	76.92
	Median	81.65	87.59	87.65	87.88
	Max	93.39	93.91	97.39	96.88
	Correlation w/Previous Year	0.21	0.08	0.23	0.24
Legal aid agencies support businesses in the use of laws when disputes arise [% Agree]	Min	36.81	73.08	78.76	78.45
	Median	84.35	88.70	89.47	89.22
	Max	94.74	95.27	95.18	99.23
	Correlation w/Previous Year	-0.01	0.03	0.14	0.16
Judgment by the court is fair [% Agree or Strongly Agree]	Min	79.80	82.57	84.17	80.00
	Median	92.19	91.34	92.67	91.01
	Max	96.94	98.20	98.46	98.46
	Correlation w/Previous Year	0.34*	0.07	0.24	-0.02
Security situation in the province [% Good or Very Good]	Min	56.10	59.13	57.89	28.36
	Median	77.67	77.91	78.49	83.48
	Max	97.82	91.53	94.20	94.74
	Correlation w/Previous Year	0.55*	0.45*	0.15	0.07
Was the firm a victim of theft or break-in last year [% Yes]	Min	0.00	1.35	0.81	0.98
	Median	5.69	6.36	6.02	5.26
	Max	17.39	15.79	19.77	17.21
	Correlation w/Previous Year	0.29*	0.39*	0.49*	0.39*

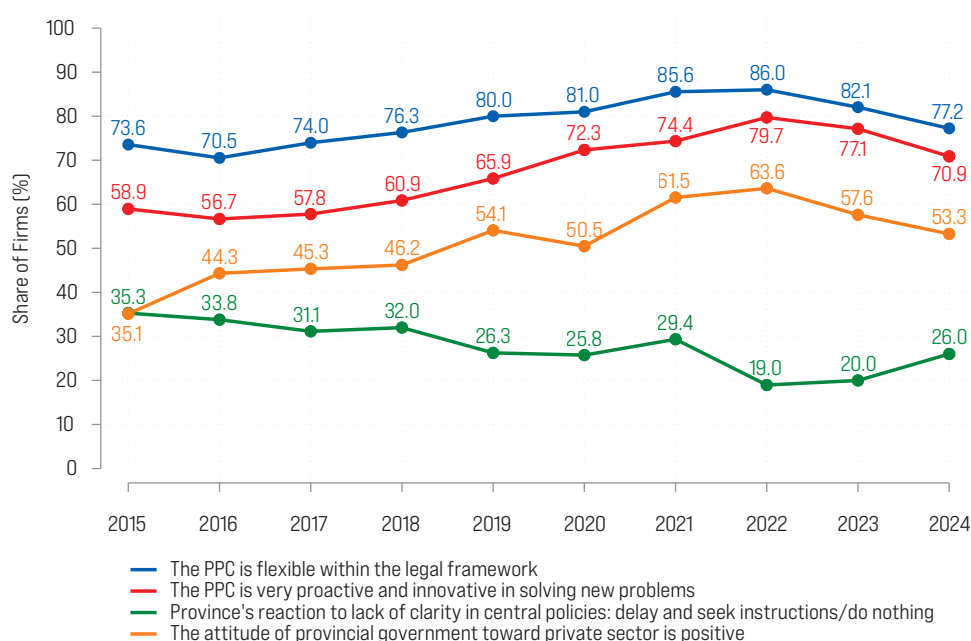
Note: * Statistical significance level: 5 percent. N.A: Not applicable

1.2.5. The Proactivity of the Provincial Government Seems to be Decreasing

The 2023 PCI report noted a decline in the average score for the Proactivity subindex compared to the previous year. It recommended revitalizing the proactive and pioneering spirit of local government officials. The 2024 survey results show that the average Proactivity score has decreased to 6.29, significantly lower than the 6.68 recorded in 2023. As illustrated in **Figure 1.8**, certain Proactivity indicators reflect this trend more clearly. In 2024, only 77 percent of businesses reported that provincial authorities were flexible within the legal framework to create a favorable business environment, down from 86 percent in 2021-2022 and 82 percent

in 2023. Similarly, only 71 percent of businesses noted that the Provincial People's Committee (PPC) was dynamic and creative in addressing new issues, a drop from 80 percent in 2022 and 77 percent in 2023. In 2024, as many as 26 percent of businesses observed that the province's reaction to unclear central policies/documents was to "delay implementation and seek guidance" or "do nothing," compared to just 19 percent in 2021. Another noteworthy point from the 2024 survey is that only 53 percent of businesses perceived the provincial government's attitude toward the private sector as positive, a significant decline from 64 percent in 2021. This decline urges provincial governments to act on General Secretary To Lam's directives to genuinely support private sector growth.

Figure 1.8. Proactivity Indicators Decreasing Recently



Indicators in **Table 1.7** provide additional insights into the Proactivity subindex for 2024 compared to previous years. The proportion of businesses that believe local leaders have acted on commitments to improve the business environment in 2024 stands at 71.7 percent, slightly down from 74.5 percent in 2023. In 2024, 76.3 percent of businesses agreed with the statement, "Obstacles and difficulties are promptly resolved through dialogues and interactions with provincial businesses," compared to 84.1 percent in 2023. However, a positive note is that the percentage of businesses reporting that departments or districts did not adhere to provincial leadership directives has decreased compared to the 2023 survey results.

Table 1.7. A Sample of Provincial-Level Indicators on Proactivity over Time

Indicator	Measure	2021	2022	2023	2024
There are good initiatives at the provincial level, but they are not well implemented by departments [% Strongly Agree or Agree]	Min	13.33	24.79	30.47	16.67
	Median	31.87	45.22	44.68	39.62
	Max	56.73	81.77	78.70	72.45
	Correlation w/ Previous Year	0.14	0.20	0.33*	0.18
Provinces have good policies, but they are improperly implemented at district level [% Strongly Agree or Agree]	Min	15.56	25.64	35.16	29.25
	Median	36.05	50.42	51.59	50.86
	Max	69.49	84.83	79.63	79.85
	Correlation w/ Previous Year	0.08	0.29*	0.27*	0.09
Provincial authorities timely handle firm's difficulties raised in PPD dialogues [%]	Min	43.62	51.33	76.00	52.29
	Median	78.51	79.84	84.06	76.32
	Max	91.67	92.86	94.41	94.69
	Correlation w/ Previous Year	0.27*	0.15	0.08	0.31*
Firms were confident that provincial leaderships would keep their commitments to improve business environment [%]	Min	29.12	54.24	55.00	55.34
	Median	71.72	76.92	74.45	71.68
	Max	86.15	90.43	89.36	94.64
	Correlation w/ Previous Year	N.A	0.29*	0.21	0.25

Note: * Statistical significance level: 5 percent. N.A: Not applicable

1.2.6. The Quality of Handling Administrative Procedures Shows Signs of Slowing Down

The Time Costs subindex measures the time businesses must spend on administrative procedures, as well as the frequency that businesses must temporarily halt operations for inspections by provincial state management agencies and the duration of those stoppages. The 2024 survey results show that the average score for this subindex is 7.44, which remains high compared to many other subindices, but it indicates a decline from the 2023 results.

Table 1.8 highlights the specific declines in the Time Costs subindex in 2024 compared to 2023 across several aspects. Specifically, nearly 24 percent of businesses spend more than 10 percent of their time understanding and implementing state legal regulations, up from 20 percent in 2023 and 2022. In 2023, 83 percent of businesses reported that the time required for administrative procedures was shorter than the regulations, a slight decrease from 86 percent the previous year. About 79 percent of businesses in 2024 reported not needing

multiple visits to complete procedures, compared to around 82-83 percent in 2022 and 2023. Regarding inspection burdens, 22 percent of businesses in 2024 indicated overlapping content in inspections, a significant increase from 8.5 percent in 2023.

Despite this, the 2024 survey results also show some positive signs for the Time Costs subindex. Firstly, in 2024, only about 5 percent of businesses reported being inspected more than three times a year, down from 7 percent in 2023 and approximately 10 percent in 2021. Additionally, businesses noted the effectiveness of online administrative procedures, with 79 percent not encountering difficulties using this method. Similarly, 79 percent of businesses reported that online procedures saved time, and 78 percent reported cost savings. These three indicators have improved significantly since 2021, that directly reflects the success of the government's push for online procedures and digital transformation. This aligns with the government's broader e-governance reforms, including the National Digital Transformation Program by 2025, with orientations toward 2030, and Decision 06/QĐ-TTg in 2022, which aim to enhance digital government and citizenship. These efforts have contributed to a more efficient and cost-effective environment for businesses, showcasing the tangible benefits of Vietnam's ongoing digital transformation.

Table 1.8. A Sample of Provincial-Level Indicators on Time Costs over Time

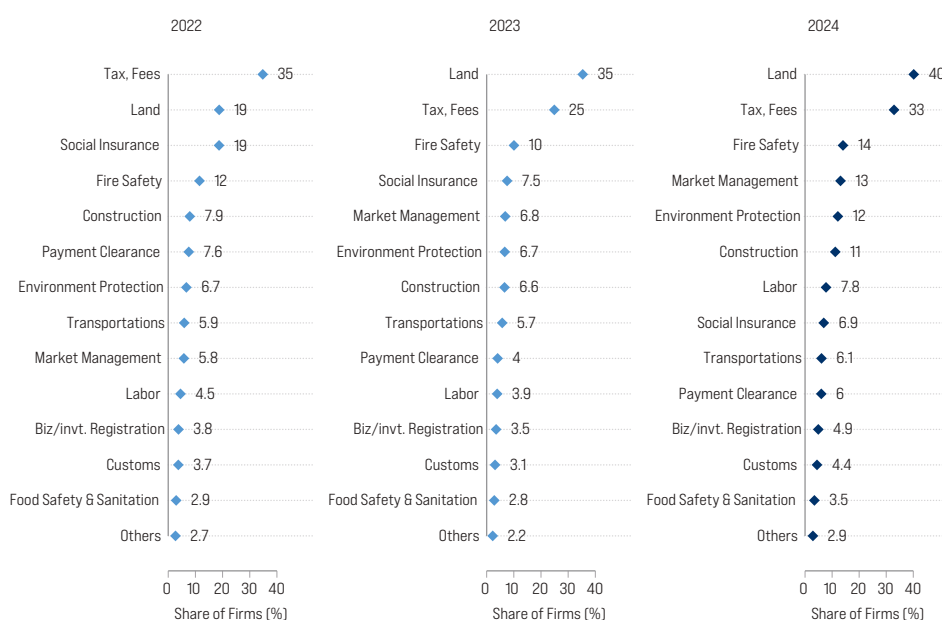
Indicator	Measure	2021	2022	2023	2024
Percentage of firms spending over 10 percent of their time on understanding and complying with regulations	Min	13.40	5.50	6.57	9.02
	Median	25.93	20.42	20.43	23.72
	Max	42.75	36.11	35.96	38.74
	Correlation w/Previous Year	0.09	0.30*	0.29*	0.26*
Local government officials are effective [% Strongly Agree or Agree]	Min	70.08	77.57	75.21	64.58
	Median	87.00	88.51	87.88	77.78
	Max	96.26	96.34	96.61	96.06
	Correlation w/Previous Year	0.42*	0.48*	0.36*	0.31*
Local government officials are friendly [% Strongly Agree or Agree]	Min	58.70	73.40	75.68	70.59
	Median	83.22	86.73	87.22	84.03
	Max	95.35	96.06	95.83	94.49
	Correlation w/Previous Year	0.38*	0.47*	0.56*	0.37*
Firms don't have to travel many trips to obtain stamps and signatures [% Strongly Agree or Agree]	Min	60.38	70.91	69.88	59.30
	Median	75.00	82.22	82.52	78.79
	Max	90.65	91.95	95.16	96.85
	Correlation w/Previous Year	0.40*	0.23	0.33*	0.31*

Indicator	Measure	2021	2022	2023	2024
Paperwork is simple [% Strongly Agree or Agree]	Min	51.89	67.27	67.50	64.62
	Median	73.91	81.42	82.35	77.54
	Max	90.32	90.26	91.94	95.29
	Correlation w/Previous Year	0.47*	0.44*	0.46*	0.29*
Time to do APs is shorter than the regulations specified [%]	Min	59.52	72.73	74.77	62.79
	Median	80.00	86.42	86.81	82.86
	Max	91.40	94.21	94.49	93.70
	Correlation w/Previous Year	0.19	0.15	0.35*	0.37*
Firms have no difficulties completing APs digitally [% Strongly Agree or Agree]	Min	28.57	37.50	53.57	40.38
	Median	57.3	63.64	77.78	79.10
	Max	71.21	83.33	93.10	93.10
	Correlation w/Previous Year	N.A	0.35*	0.24	0.01
Time to complete APs digitally is less than time to complete APs in-person [%]	Min	27.07	37.50	50.00	40.00
	Median	57.14	62.50	76.97	78.95
	Max	72.83	86.11	90.16	93.10
	Correlation w/Previous Year	N.A	0.39*	0.21	0.01
Costs to complete APs digitally are less than the costs to complete APs in person	Min	27.82	36.84	50.00	38.46
	Median	57.14	62.75	76.92	78.43
	Max	78.26	86.11	93.10	92.59
	Correlation w/Previous Year	N.A	0.36*	0.24	-0.02
Percentage of firms that underwent 3+ visits per year by provincial agencies	Min	2.75	1.65	1.16	0.65
	Median	9.92	7.39	6.98	5.34
	Max	22.50	39.39	20.43	18.81
	Correlation w/Previous Year	N.A	0.38*	0.47*	0.43*
Overlapping inspection [%]	Min	1.13	0.00	1.45	0.00
	Median	9.09	6.69	8.45	22.22
	Max	28.42	20.59	24.59	43.75
	Correlation w/Previous Year	0.39*	0.41*	0.05	0.12
Using inspection to extract rents [%]	Min	1.85	0.00	0.00	0.00
	Median	13.79	9.59	6.98	8.51
	Max	28.38	26.09	18.03	19.61
	Correlation w/Previous Year	0.35*	0.16	0.25*	0.29*

Note: * Statistical significance level: 5 percent. N.A: Not applicable

The annual business survey conducted by VCCI regularly includes questions asking businesses to identify which administrative areas remain cumbersome, such as business registration, taxation, labor, social insurance, land, construction, fire prevention, market management, and more. Except for social insurance, many other administrative areas have seen an increase in the percentage of businesses reporting difficulties in the 2024 survey compared to previous years. Notably, there has been a significant rise in concerns related to the environment, land, taxation, and market management. This underscores the importance of the Party and State's policy to promote administrative reform and reduce unnecessary procedures.

Figure 1.9. Troublesome Administrative Areas



Source: PCI Domestic Survey, [Question D1-2](#) "From your experience in the province, please indicate the administrative areas you found troublesome (*Please check ✓ all that apply*)"

1.2.7. More Challenges in Land Access

The 2023 PCI report highlighted increasing obstacles in land access for businesses. The 2024 survey results continue to reflect this issue, with the average score for the Land Access subindex dropping to 6.54, down from 6.75 in 2023, 6.94 in 2022, and 7.01 in 2021 (**Figure 1.7**).

Several indicators in **Table 1.9** of the Land Access subindex further illustrate this problem. Specifically, the percentage of businesses facing no obstacles in accessing land or expanding their premises dropped to 33 percent in 2024, a significant decrease from 55

percent in 2021, 48 percent in 2022, and 41 percent in 2023. Only 51 percent of businesses that completed land-related administrative procedures in the past two years did so without difficulty, down from 59 percent in 2023. The proportion of businesses needing a Land Use Rights Certificate (LURC) but unable to obtain one due to cumbersome procedures or fear of bureaucratic harassment rose to 31 percent in 2024, compared to 21 percent in 2023. Finally, the percentage of businesses forced to delay or cancel business plans due to difficulties with land administrative procedures remains high, nearly 74 percent in 2024. This persistent challenge may stem from ongoing complexities in land acquisition regulations, including bureaucratic processes. Further insights are illustrated in **Figure 1.10**.

Table 1.9. A Sample of Provincial-Level Indicators on Land Access over Time

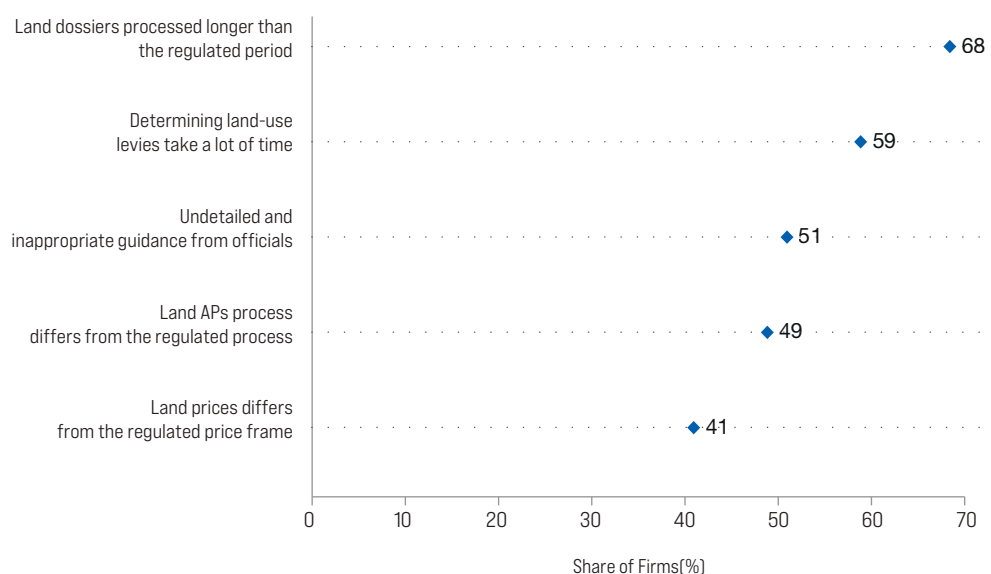
Indicator	Measure	2021	2022	2023	2024
Percentage of firms that say nonstate enterprises do not have difficulties in accessing land or expanding premises	Min	36.59	18.89	21.30	9.82
	Median	55.17	48.05	40.70	32.79
	Max	82.80	74.34	68.18	69.40
	Correlation w/ Previous Year	0.18	0.22	0.28*	-0.17
Percentage of firms that have completed land procedures in the last two years and have encountered no difficulties in land-related procedures.	Min	0.00	23.72	42.25	38.73
	Median	27.27	80.14	58.91	51.47
	Max	57.14	90.36	71.74	62.29
	Correlation w/ Previous Year	0.23	-0.29*	0.40*	0.09
Percentage of firms that want to have LURCs but don't have LURCs because of complicated procedures and troublesome staffs.	Min	1.56	5.00	6.90	0.00
	Median	10.45	22.22	21.21	31.25
	Max	22.54	56.82	61.54	80.33
	Correlation w/ Previous Year	0.18	0.31*	0.20	0.37*
Firms have to delay / cancel business plans due to difficulties faced in completing land APs (%)	Min	20.00	14.29	15.91	11.11
	Median	53.85	42.86	74.00	73.58
	Max	100.00	100.00	100.00	96.00
	Correlation w/ Previous Year	NA	0.18	0.02	0.03

Note: * Statistical significance level: 5 percent. NA: Not applicable

Figure 1.10 provides a detailed view of the main difficulties that businesses faced in 2024. Among companies that engaged in land administration procedures, 68 percent reported that the most significant obstacle was the prolonged processing time for land records, exceeding the timelines stated in official regulations (compared to 64 percent in 2023). Additionally, 59 percent of businesses indicated that the procedures for determining land use value were time-consuming (up from 44 percent in 2023). About 51 percent of companies noted that

officials responsible for receiving and processing administrative procedures did not provide detailed and complete guidance [compared to 46 percent in 2023], 49 percent mentioned that the process and procedures for handling land records did not align with the content listed or the official regulations [compared to 46 percent in 2023], and 41 percent indicated that the land prices differed from the regulated price frame [compared to 37 percent in 2023]. One explanation for challenges in land administration procedures is the new Land Law will take effect in August 2024, but the issuance of some guiding documents has not kept pace. At the time of our survey beginning in Quarter 3, 2024, it is possible that local officials were still uncertain of proper procedures at the time the questions were asked.

Figure 1.10. Difficulties in Implementing Land-related Administrative Procedures



Source: 2024 PCI Domestic Survey. [Question C-7](#) “Over the last 2 years, has your firm implemented land-related administrative procedures (e.g. procedures for land purchase, transfer or rent from the State)?” [Question C-71](#) “If yes, has your firm encountered any difficulties when implementing these procedures with provincial State agencies?” [Question C-7.2](#) “If yes, please specify those difficulties?”

1.2.8. Informal Charges Are Returning

The Informal Costs subindex measures the level of informal costs that businesses must pay and the obstacles these costs create for business operations. The average score of this subindex reached 6.77 points in 2024, down from 7.08 points in 2023 and the results of the two preceding years (see [Figure 1.7](#)).

Table 1.10 indicates that the burden of informal costs seems to be resurging for businesses in several aspects. In the 2024 survey, nearly 37 percent of businesses reported paying

informal costs, slightly up from 33 percent in 2023. The proportion of businesses paying informal costs to inspection officials was nearly 28 percent, a significant rise from 16 percent the previous year. The percentage of businesses paying informal costs for obtaining conditional business licenses reached nearly 55 percent, a considerable increase from 2023. Similarly, about 50 percent of businesses acknowledged paying informal costs during land administrative procedures, compared to nearly 38 percent in 2023. The percentage of businesses paying informal costs in public procurement bidding at local levels also marginally increased from 27.6 percent in 2023 to 28.6 percent in 2024.

Nevertheless, the 2024 survey results highlight some positive aspects of efforts to reduce informal costs for businesses. Only about 2.3 percent of businesses reported spending more than 10 percent of their revenue on informal costs, continuing an incremental and steady decline since 2010. Compared to the peak of nearly 13 percent in 2006, the first year this indicator was surveyed, the burden of informal costs on businesses in 2024 has decreased significantly. While 53 percent of businesses in 2023 reported having disputes but chose not to pursue court action due to concerns about the phenomena of “offering bribes to solicit favorable judgment is common,” this figure dropped to 44 percent in 2024.

The 2024 survey presents a complex picture of informal costs in Vietnam’s business environment. On one hand, there is a resurgence in the prevalence of informal costs across various areas, including inspections, business licensing, and land administrative procedures. This indicates ongoing challenges that need to be addressed to improve transparency and reduce corruption. On the other hand, the overall financial burden of these costs on businesses, as a percentage of revenue, continues to decline steadily. Additionally, the decrease in businesses avoiding court disputes due to bribery concerns suggests positive progress. These divergent trends highlight the need for targeted efforts to sustain the reduction in informal cost burdens while targeting the procedures where they have resurged.

Table 1.10. A Sample of Provincial-Level Indicators on Informal Costs over Time

Indicator	Measure	2021	2022	2023	2024
Dimension 1. Petty Corruption					
Enterprises in my line of business usually have to pay for informal charges [% Agree or Totally Agree]	Min	23.08	22.22	16.67	22.29
	Median	41.41	42.59	33.33	36.61
	Max	70.24	80.81	55.07	66.67
	Correlation w/Previous Year	0.29*	0.18	0.40*	0.08
Rent-seeking phenomenon is popular in handling administrative procedures for businesses [% Strongly Agree or Agree]	Min	16.30	49.38	47.79	52.00
	Median	57.43	71.70	69.86	66.94
	Max	78.20	88.39	81.90	84.67
	Correlation w/Previous Year	0.28*	0.32*	0.18	0.10
Percentage of firms saying that informal charges usually or always deliver expected results	Min	13.11	35.19	22.86	30.26
	Median	55.22	58.82	43.04	63.85
	Max	91.33	85.00	63.97	82.24
	Correlation w/Previous Year	0.30*	-0.09	-0.02	0.02
Informal charges are at acceptable levels [% Strongly Agree or Agree]	Min	66.28	79.31	71.54	68.75
	Median	86.96	88.89	86.05	81.72
	Max	97.14	95.83	93.33	95.29
	Correlation w/Previous Year	0.07	0.26*	0.29*	0.06
Percentage of firms paying informal payment to inspectors	Min	7.32	1.67	5.81	8.06
	Median	20.88	14.00	16.08	27.78
	Max	46.90	38.00	38.24	64.06
	Correlation w/Previous Year	0.51*	0.59*	0.28*	0.19
Percentage of firms paying informal charges in business registration / re-registration [%]	Min	7.14	0.00	0.00	0.00
	Median	18.75	6.82	9.30	23.68
	Max	51.43	32.26	34.15	70.59
	Correlation w/Previous Year	NA	0.02	0.77*	0.09
Percentage of firms paying informal charges when implementing sublicense procedures [%]	Min	31.71	0.00	0.00	34.04
	Median	63.16	18.75	18.75	54.55
	Max	79.59	68.57	50.00	90.16
	Correlation w/Previous Year	NA	0.15	0.03	-0.12
Percentage of firms paying informal charges to market regulators [%]	Min	8.33	0.00	4.08	10.48
	Median	50.00	47.06	12.67	24.55
	Max	87.50	87.50	44.87	57.14
	Correlation w/Previous Year	NA	0.10	0.10	0.07

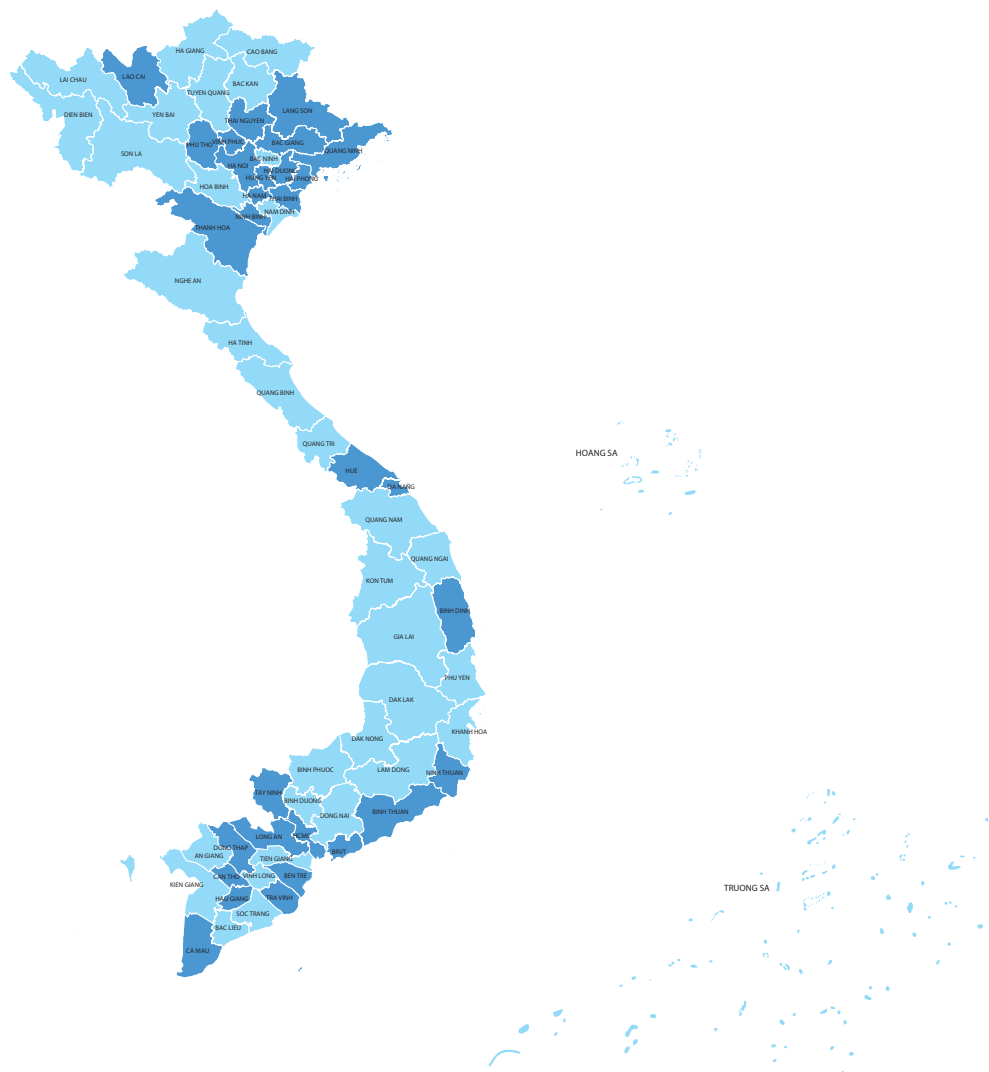
Indicator	Measure	2021	2022	2023	2024
Dimension 1. Petty Corruption					
Percentage of firms paying over 10 percent of their revenue for informal charges	Min	0.79	0.56	0.00	0.00
	Median	4.08	3.82	2.54	2.25
	Max	15.71	19.23	10.17	8.82
	Correlation w/Previous Year	0.56*	0.49*	0.49*	0.47*
Percentage of firms paying informal charges in land APs	Min	0.00	17.39	8.33	0.00
	Median	26.67	40.00	37.50	50.00
	Max	66.67	84.06	64.29	84.21
	Correlation w/Previous Year	-0.18	0.11	0.38*	0.09
Paying a “commission” is essential to improve chances of winning the contract [% Yes]	Min	0.00	18.75	9.47	11.94
	Median	36.84	36.25	27.64	28.57
	Max	100.00	85.07	63.41	61.29
	Correlation w/Previous Year	-0.05	0.07	0.30*	0.09
Offering bribes to solicit favorable judgment is common [%]	Min	4.17	0.00	24.19	16.07
	Median	21.43	16.13	53.25	43.90
	Max	55.00	32.14	78.79	68.57
	Correlation w/Previous Year	0.09	0.13	0.18	0.17

Note: * Statistically significant at the 5 percent level. NA: Not applicable

1.3. The 2024 Provincial Competitiveness Index Results

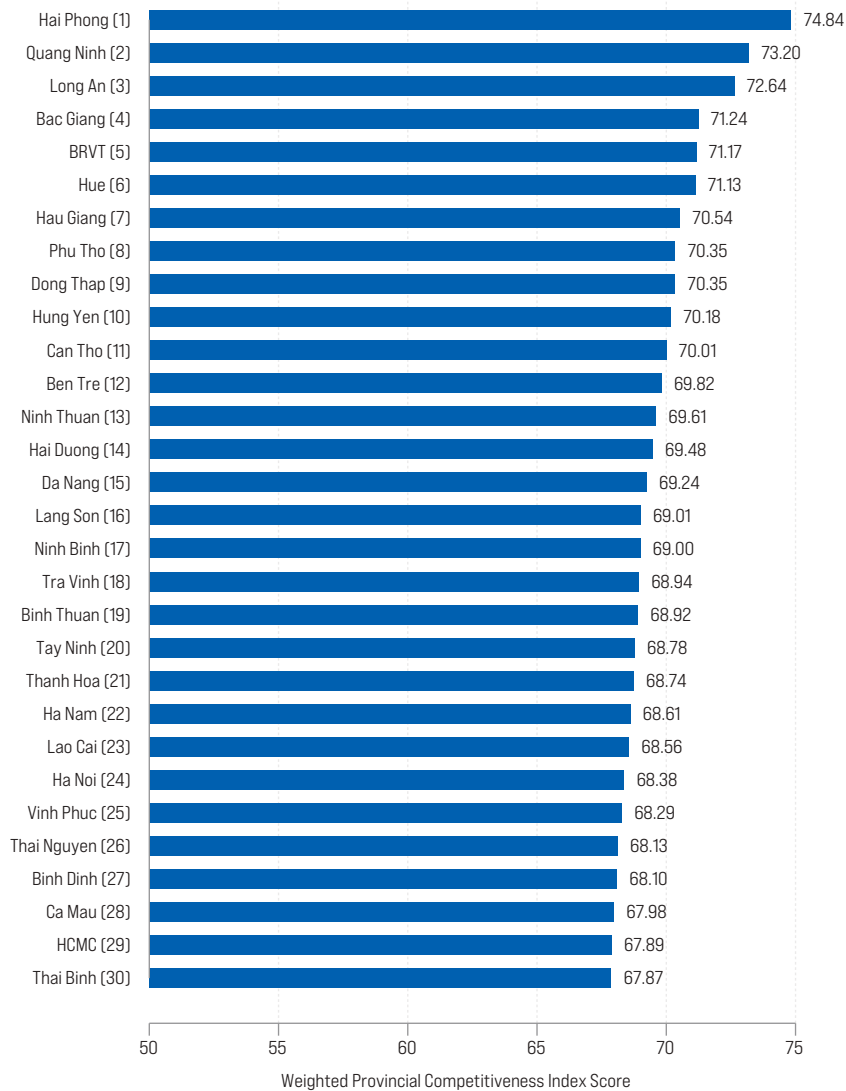
Consistent with the previous two PCI Reports the PCI 2024 Report presents the PCI results for the group of 30 centrally governed provinces and cities with the best economic governance quality. This aims to encourage localities to strive towards leading positions in the PCI rankings annually. **Figure 1.11** illustrates the quality of economic governance on a map, with dark green representing the top 30 localities and light green for the remaining provinces. This map reveals a concentration of the top 30 provinces around the major economic centers of the country. In the North, a notable cluster of these top provinces can be seen near Ha Noi and Hai Phong. In the South, many top provinces are concentrated around Ho Chi Minh City and Can Tho. In the Central region, this includes Hue and Da Nang. This clustering around major economic centers is likely driven by several key factors, including better infrastructure, access to skilled labor, and proximity to major markets, which facilitate the spread of ideas, share governance solutions, and business environment. These regions often benefit

Figure 1.11. PCI 2024 Map



Note: The dark blue color represents the Top 30 provinces in 2024. The light blue color depicts the remaining provinces.

Figure 1.12. Thirty Provinces Having the Best Economic Governance Quality in 2024 (Top 30)



In the PCI 2024 results, Hai Phong City topped the list for the first time with a score of 74.84 points. Hai Phong's top ranking in the 2024 PCI reflects a concerted effort to improve the business and investment environment. Key initiatives included streamlining administrative procedures, and promoting direct investment, particularly in high-tech sectors. Additionally, administrative reforms and the development of industrial zones contributed to improvements in areas like market entry, land access, and transparency. Seven out of ten governance areas in Hai Phong improved compared to 2023, including Market Entry, Land Access, Transparency, Informal Charges, Fair Competition, Proactivity of the Local

Government, and Legal Institutions and Order. Hai Phong's significant progress in PCI 2024 stems from its continuous reform efforts, having been among the top 5 provinces with the highest PCI scores in Vietnam for three consecutive years (2021, 2022, and 2023).

Quang Ninh ranks second in PCI 2024 with a score of 73.20, an increase of 1.95 points from 2023. Quang Ninh maintained improvements in five out of ten governance areas measured by PCI, including Land Access, Transparency, Fair Competition, Labor Training, and Legal Institutions and Order. This marks the twelfth consecutive year since 2013 that Quang Ninh has been among the top 5 provinces and cities in PCI.

The next three provinces in the top 5 best-governed in PCI 2024 are Long An, Bac Giang, and Ba Ria-Vung Tau (BRVT). These provinces have shown excellent governance quality recently. Long An and Bac Giang have consistently been among the top 5 for three years, while BRVT has remained within the top 10 since 2021.

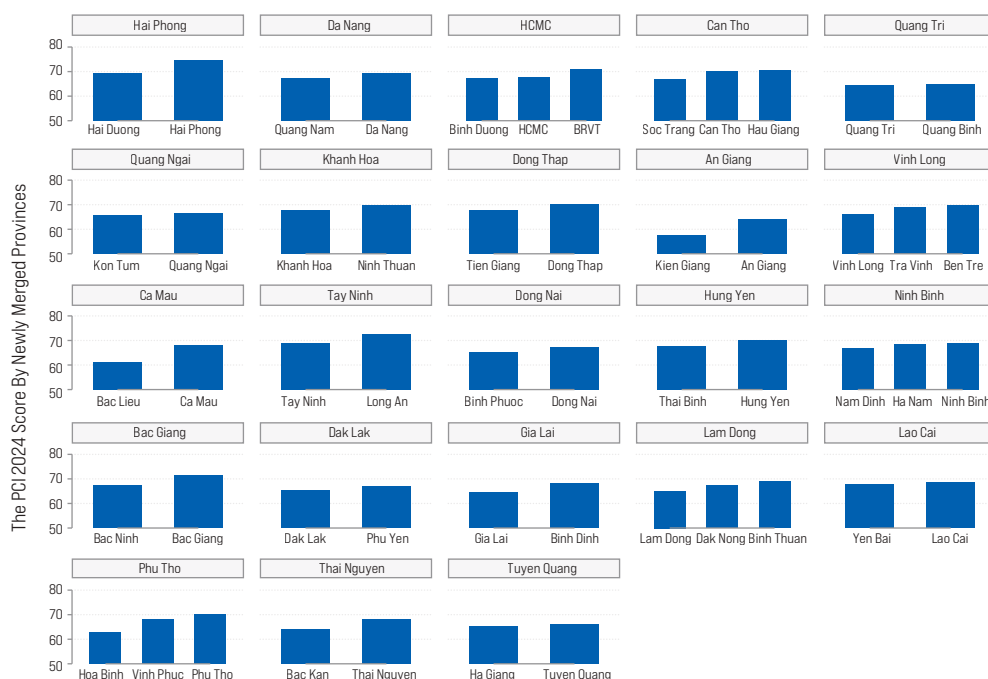
The remaining five in the top 10 best-governed provinces and cities for 2024 include Hue City, Hau Giang, Phu Tho, Dong Thap, and Hung Yen. Most of these provinces have appeared in the top rankings for many years, with Dong Thap setting a record of 18 consecutive years in the top 10. Hung Yen entered the top 10 for the first time, having ranked 12th in PCI 2023 and 14th in PCI 2022.

Among the top 30 provinces and cities with the best PCI results in 2024, some have made noteworthy progress. Notably, Ha Nam achieved its best result ever, ranking 22nd. Ha Nam's PCI 2024 score increased by 2.14 points and climbed 14 places compared to 2023, its rise is attributed to strategic efforts in investment attraction, infrastructure development, and human capital enhancement. By streamlining administrative procedures and reducing informal costs, the province created a more investor-friendly environment, improving areas like Market Entry and Legal Institutions. Thai Binh also returned to the top 30 in PCI 2024, after its last appearance in 2022, with positive changes in Transparency, Business Support Policies, and Labor Training. Another highlight is the inclusion of centrally governed cities such as Ha Noi, Ho Chi Minh City, Hai Phong, Hue, Da Nang, and Can Tho in the top 30 best-governed provinces and cities in 2024, with all showing improvements over PCI 2023, albeit to varying extents.

One of the important resolutions of the Party in early 2025 is the merger of provincial-level administrative units to enhance the efficiency and effectiveness of the political system. Resolution No. 60-NQ/TW, dated April 12, 2025, adopted by the 13th Central Committee, lists the anticipated names of provinces, cities, and political-administrative centers (provincial capitals) for 34 provincial-level administrative units. Among these, 11 units are not subject to merger, while 52 are slated for merger or consolidation. **Figure 1.13** below presents the

PCI 2024 scores of provinces and cities according to their new anticipated names after the merger. The relatively large differences in PCI scores between some provinces slated for merger highlight disparities in governance quality among localities. Addressing these differences will be crucial to ensure a smooth transition, continue efforts to improve the business investment environment, and maintain economic stability and development in the future.

Figure 1.13. The PCI 2024 Score by Newly Merged Provinces



1.4. The 2024 Infrastructure Index

The 2024 Infrastructure Index results for 63 provinces and cities in Vietnam are illustrated in Figure 1.14. Although not included in the calculation of PCI scores and rankings, the Infrastructure Index offers valuable insights for businesses and policymakers. Constructed from a combination of official government sources and enterprise surveys on infrastructure quality, the Infrastructure Index in PCI 2021 comprises five dimensions: (1) Industrial Zones, (2) Roads, (3) Electricity, (4) Telecommunications, and (5) Other Infrastructure. In 2024, Ho Chi Minh City, Hai Phong, Dong Nai, Da Nang, and Ha Noi emerged as the top performers in the Infrastructure Index.

Figure 1.14. The 2024 Infrastructure Index

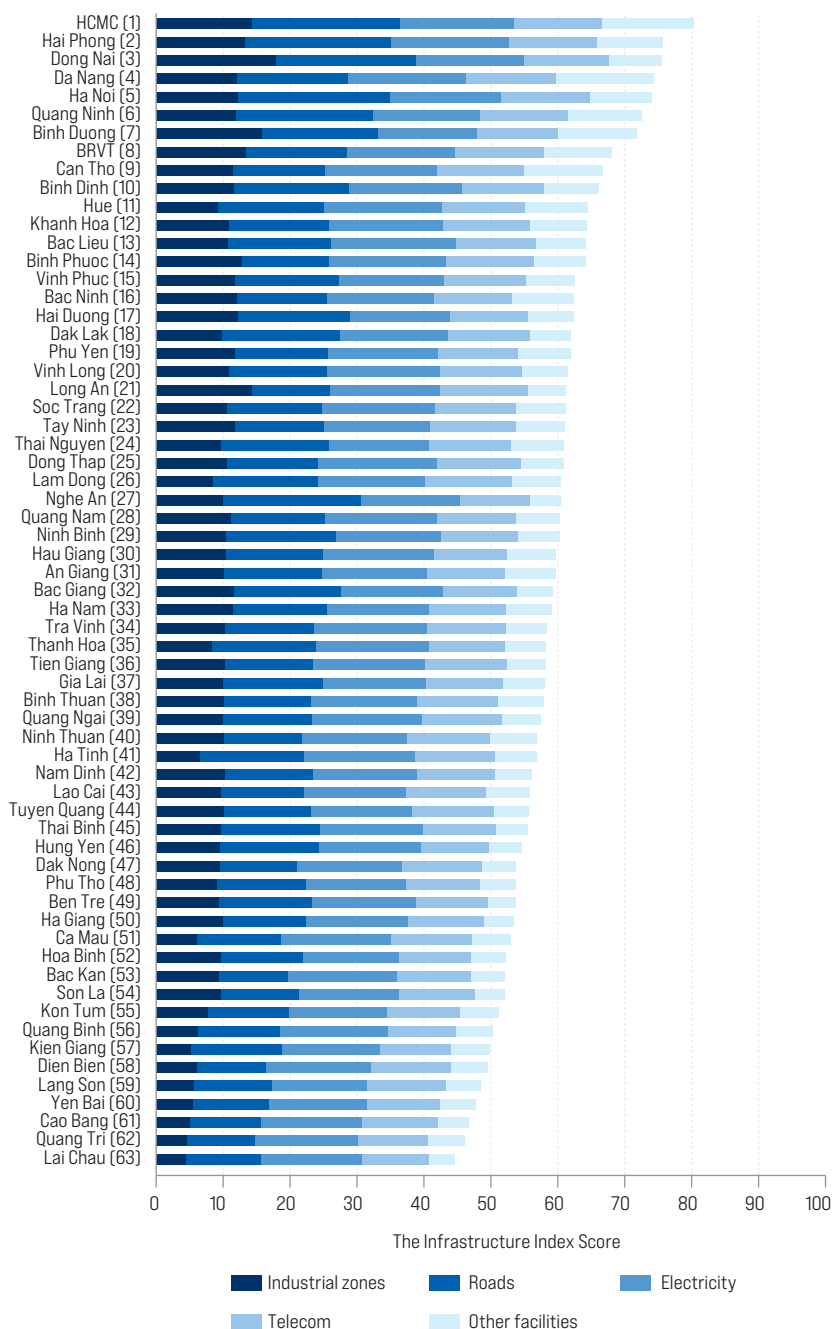


Figure 1.15 illustrates the relationship between the quality of economic governance and infrastructure quality in the 2024 survey results. In line with previous years, there is a positive correlation between these two factors, with a coefficient of 0.4 that is statistically significant.

Provinces located in the upper right quadrant simultaneously have high Infrastructure Index scores and PCI 2024 scores above the median. This group includes many economically developed areas such as Hai Phong, Quang Ninh, Da Nang, Ba Ria-Vung Tau, Long An, Ha Noi, and Ho Chi Minh City. Conversely, provinces in the lower left quadrant need to accelerate reforms, as their PCI scores lag behind, while infrastructure quality remains limited.

Figure 1.15. Correlation between Quality of Governance and Infrastructure



1.5. Conclusion

The 2024 Provincial Competitiveness Index (PCI) report highlights positive developments in efforts to improve the business environment and promote the private economic sector, a crucial pillar for Vietnam's sustainable economic growth. Amidst numerous domestic and international challenges, a survey of nearly 11,000 businesses reveals that the business community's confidence in local governments remains steadfast. This is reflected in significant improvements in labor quality, information transparency, and online administrative procedures.

However, the PCI 2024 results also indicate areas needing improvement, particularly in land access, compliance costs, and the declining dynamism of local government machinery. To meet business expectations and developmental demands in the new phase, authorities must continue to advance institutional reforms, foster public-private dialogue, and enhance policy execution efficiency.

Notably, there is a clear correlation between economic governance quality and infrastructure quality. Leading PCI 2024 localities such as Hai Phong, Quang Ninh, Long An, and Bac Giang have demonstrated the effectiveness of a synchronized approach combining administrative reform, infrastructure development, and business support.

As Vietnam enters a new development era with ambitious goals—an 8 percent GDP growth target for 2025 and double-digit growth in the following years as directed by the Party and Government—maintaining and enhancing local economic governance quality is a critical and decisive task. The PCI 2024 reaffirms its role as a monitoring tool and an honest voice for the business community, serving as a guide for institutional reform efforts, streamlining administrative machinery, and developing the private economic sector. Improving the business environment is not only a necessary condition but also a core driver for Vietnam to achieve its aspiration of becoming a strong nation, standing shoulder to shoulder with developed economies in the region and the world.





Chapter

02

The 2024 Provincial Green Index

2.1. Introduction

2.1.1. Motivation

This chapter presents the third iteration of the Provincial Green Index (PGI), which complements the PCI by balancing growth objectives with a sustainability orientation. Vietnam's economic success has been accompanied by increasing climate and environmental threats. The long-term health and welfare of the citizenry depend on plotting a path to sustainable economic growth that allows the economy to thrive while protecting Vietnam's vital environmental heritage, while avoiding the deleterious effects of climate change. This challenge requires excellent data to measure the country's progress and determine what policy solutions can be most impactful. The PGI, which is constructed using the same statistical rigor and contextual country knowledge as the PCI, provides exactly this tool for national leaders, provincial decision-makers, and foreign and domestic investors.

Over the past four decades, Vietnam's economic growth and private sector development have been the envy of the world, lifting millions out of poverty and propelling the country to middle-income status. However, this economic dynamism has come at some cost. Vietnam, like many other countries, faces unprecedented threats from climate change and pollution.

While environmental degradation in rural and coastal areas threatens the livelihoods of farmers and fishers, air and water pollution are the top concerns of the government and citizens in urban areas. Vietnam ranks 180th out of 180 countries for air quality and biodiversity protection.¹³ Air pollution, which is mainly caused by heavy industry (steel, cement, and coal-fired plants), construction, and transportation, is estimated to cause tens of thousands of deaths per year as well as losses in productivity.¹⁴

The Vietnamese government is aware of these issues and has begun the task of shifting toward a more sustainable economic model. The government has instituted several initiatives to reduce pollution, improve environmental standards, and reduce the threat of climate change.¹⁵ The PGI is built to reflect the actual Vietnamese environmental policies that govern the relationship between provincial governments and businesses, beginning with the 2020 Law on Environmental Protection (LEP). The burgeoning Vietnamese legal framework that enables provincial governments to monitor, mitigate, and adapt to environmental and climate change can be divided into four different conceptual policy baskets that form the foundation for the PGI's four sub-indices.

13 Wolf, M. J., Emerson, J. W., Esty, D. C., de Sherbinin, A., Wendling, Z. A., et al. [2025]. "2024 Environmental Performance Index". New Haven, CT: Yale Center for Environmental Law & Policy. <https://epi.yale.edu/measure/2024/epi>

14 Hanoi Times. [2020]. "Air pollution costs Vietnam \$13.6 billion a year". <<https://hanoitimes.vn/air-pollution-costs-vietnam-us132-billion-in-damage-every-year-300796.html>>

15 National Assembly of Vietnam. [2020]. Law No. 72/2020/QH14: "Law on Environmental Protection". <<https://vanban.chinhphu.vn/?pageid=27160&docid=202613&classid=1&typegroupid=3>>;

The Government of Vietnam. [2022]. "Resolution No. 138/NQ-CP: "Resolution on the National Master Plan for the Period of 2021-2030, with Vision Toward 2050". <<https://vanban.chinhphu.vn/?pageid=27160&docid=206758>>;

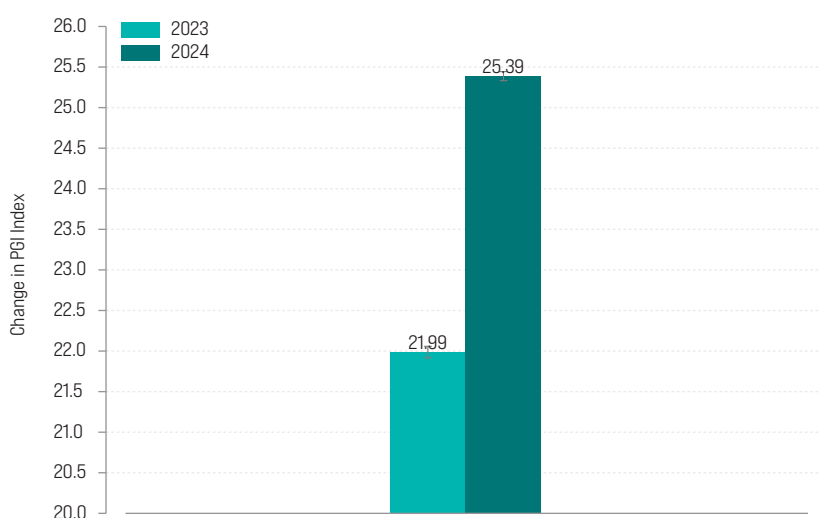
Pham Minh Chinh, Prime Minister of Vietnam. [2022]. "Decision No. 882/QĐ-TTg: "Decision on the approval of the National Action Plan on Green Growth for the period 2021 to 2030.". <<https://vanban.chinhphu.vn/?pageid=27160&docid=206215>>

Like its cousin, the PCI, the PGI aggregates the perception of businesses into a common voice, communicating their views on environmental policy to national and local decision-makers. The four sub-indices of the PGI were constructed from 41 survey and administrative indicators to reflect these four key policy objectives, allowing provincial officials to evaluate their progress in meeting them. A province that scores highly on the PGI is one that is making efforts to combat pollution and private environmental accidents (subindex 1), designing and enforcing reasonable regulations that ensure compliance without creating overwhelming burdens (subindex 2), providing appropriate guidance to firms on green operations and environmentally friendly procurement (subindex 3), and incentivizing green operations through targeted incentives and subsidy programs (subindex 4).

2.1.2. Key Findings

Vietnam's commitment to green growth is paying dividends in terms of measurable improvement in environmental governance. *Figure 2.1* depicts the national average score on the PGI over time using data from the 8,566 domestic and 1,554 foreign respondents. Each subindex receives an equal weight of 25 percent. Thus, the total possible score of the PGI equals forty points. We can see clearly that the mean PGI score has improved by 3.9 points, representing a 17% improvement in the past year. The range bars at the top of each graph depict 95% confidence intervals, indicating that if the effort was repeated, the averages may differ slightly, but that the difference would remain robust and sizeable. Although not depicted, here, we observe a similar change in the median province score over time, which grew from 21.9 points in 2023 to 24.9 points today.

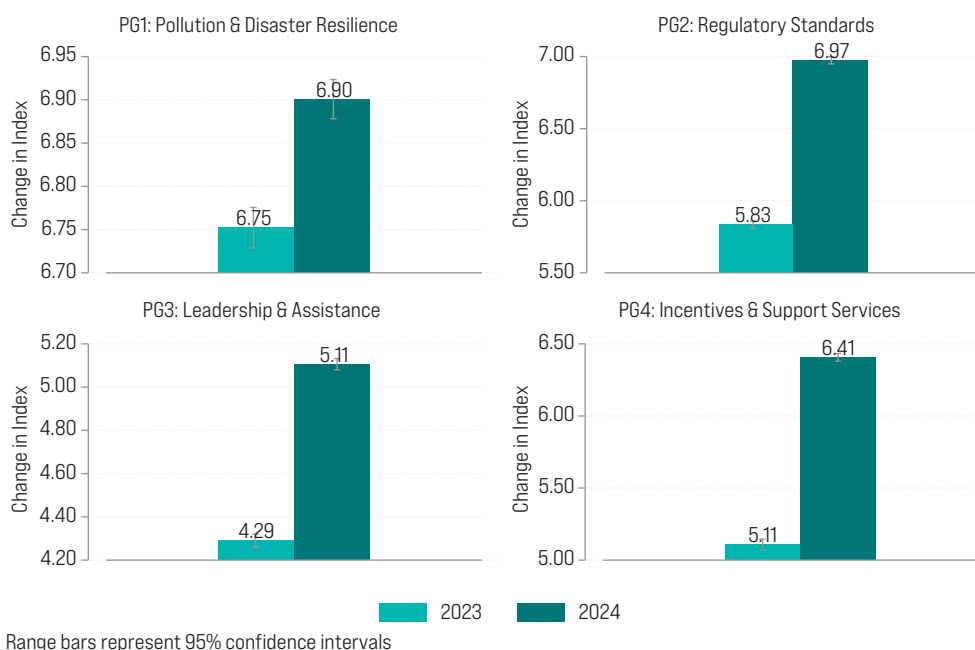
Figure 2.1. National Average of PGI Improved over Time



Note: The PCI research team's calculation uses PCI/PCI-FDI survey data and administrative data from the General Statistical Office. Graph displays national average of all firms based on the sample of 8,566 domestic and 1,554 foreign respondents. Range bars depict 95% confidence intervals.

PGI improvements were recorded on all four subindices of the PGI. *Figure 2.2* depicts statistically significant differences on all four indices. The largest improvements were recorded in subindex 4, measuring provincial incentives and support services [1.3], and subindex 2, measuring regulatory standards [1.14 points]. Subindex 3 on covering provincial environmental leadership also recorded nearly a point improvement. The smallest gains of 0.15 points were made in efforts to reduce pollution and enhance disaster resilience for two reasons. First, that index had the highest score in 2023, making improvements more challenging. Second, however, during the summer of 2024, just before the surveys were collected, northern Vietnam experienced the devastating Yagi typhoon, which affected 26 Northern Provinces and 3.6 million people, causing more than 300 fatalities and an estimated USD1.77 billion in economic losses. As we show below, most locations provided surprisingly resilient and recovered quickly, however, many small businesses were experiencing storm-related challenges at the time of the survey.

Figure 2.2. All Four PGI Sub-Indices Improved over Time



Note: The PCI research team's calculation uses PCI/PCI-FDI survey data and administrative data from the General Statistical Office. Graph displays national average of all firms. Range bars depict 95% confidence intervals.

When we parse the data more finely in Section 2 of this report, two clear countervailing trends emerge across indices, which we highlight in *Table 2.1*.

First, provincial environmental regulatory enforcement is increasing, which is leading to greater environmental compliance on the part of businesses. In subindex 1, 59 percent of

businesses report that environmental quality is good, compared to 57 percent in 2023; 31 percent claim to experience lower pollution compared to 29 percent in 2023; and 56 percent claim that pollution is not a problem, an 11-point improvement over 2023! In subindex 2, we see evidence of greater enforcement propelling these numbers. In 2024, 53 percent of businesses had at least one environmental inspection, increasing from 46 percent in 2023. Eighty-one percent of firms claim that the province has measures to punish polluters, up nearly 6.9 percentage points over 2023. At the same time, 78 percent of respondents say that the province takes timely action to deal with pollution, representing a 7.3 point increase.

Malesky and Nguyen (2024) have shown with experimental evidence that one of the most robust drivers of corporate green upgrading, especially for domestically oriented businesses, is enhanced regulation.¹⁶ This year's PGI data also bears out this relationship. In subindex 3, 20 percent of businesses agreed that regulation was the primary reason they made environmental upgrades, compared to 14.3% in 2023. In this way, the increased regulation is directly connected to the 49 percent of firms that engaged in green upgrading this year (subindex 3), and the 36 percent operating in green industries (subindex 4), representing 10 and 5 percentage points increased above previous benchmarks.

However, as inspections and regulatory enforcement have increased, firms express greater frustrations with administrative burdens and fairness. Last year, only 5 percent of firms cited environmental inspectors as creating excess regulatory burdens. In 2024, however, over twice that amount (11.5 percent) cited environmental inspections as a burden. Only 1.1 percent of firms reported harmonization of visits by different agencies to reduce the regulatory burden, which is down slightly from 2023. Only one-quarter of respondents thought the inspections were fair, measured by whether the issues highlighted, problems identified, citations issued, and fines levied were legitimate and reasonable, which represents a five percentage point reduction from the already low score of 30 percent in 2023. Finally, bribes during these inspections more than doubled in 2023. Fifty percent of firms nationwide paid an informal charge to an environmental inspector in 2024, compared to only 22 percent of businesses last year.

Thus, while the inspection seems to be working, much more effort needs to be made to convince firms that environmental inspections are worthwhile by improving the quality of regulation they experience.

16 Malesky, Edmund J., and Quynh Nguyen. 2024. "Testing the Drivers of Corporate Environmentalism in Vietnam." *Studies in Comparative International Development* 59.1: 86-112.

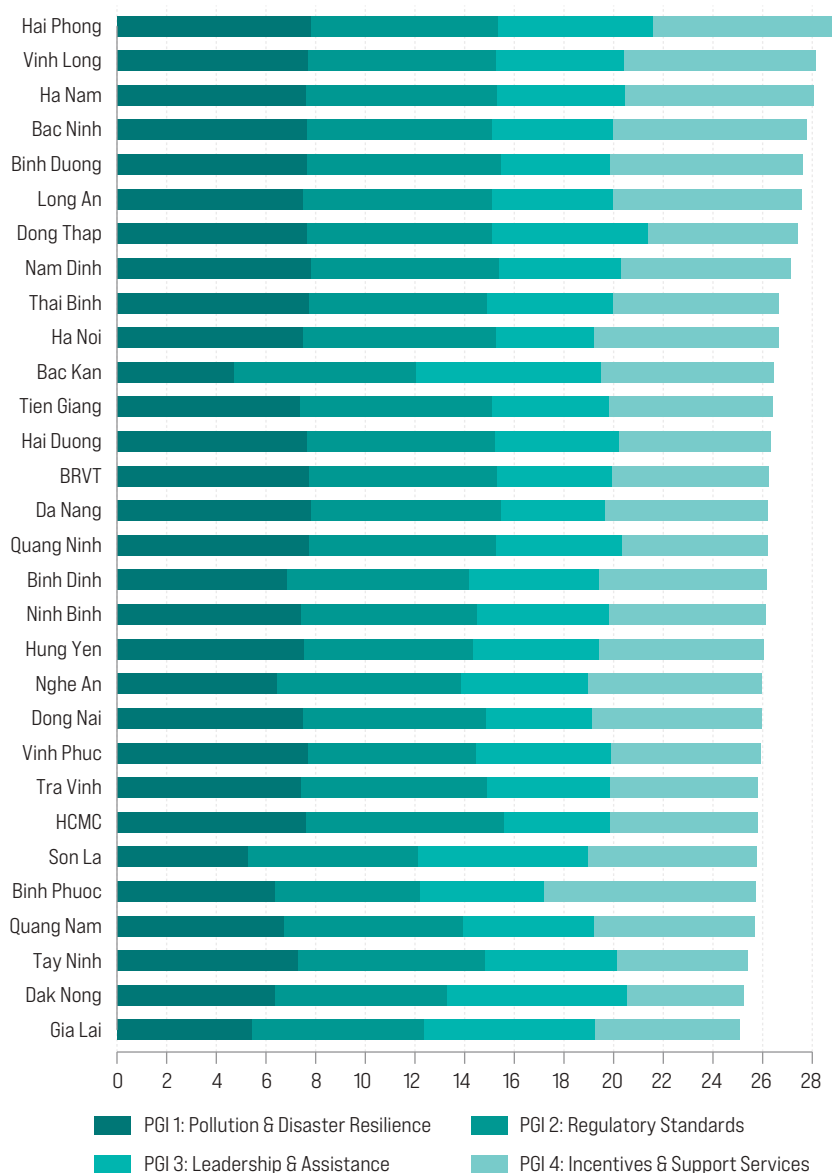
Table 2.1. Regulatory Enforcement Increasing and Leading to Higher Environmental Compliance, but Firms Exhibit Greater Frustration with Fairness and Burden

Regulatory enforcement and stringency are increasing, leading to enhanced environmental compliance	2024 National Average			2023 National Average			Change over Time
	Mean	95% CI		Mean	95% CI		
1: Minimizing Risk							
1.1 Environmental quality is good or v. good [%]	58,7%	57,7%	59,6%	56,5%	55,5%	57,5%	2,2%*
1.2 No or low pollution [% agree]	31,4%	30,5%	32,3%	28,6%	27,7%	29,5%	2,8%*
2. Maintaining Standards							
2.2 Province takes timely action to deal with pollution [% agree]	78,2%	77,4%	79,0%	70,9%	70,0%	71,8%	7,3%*
2.3. Province punishes polluters [% agree]	80,8%	80,0%	81,5%	73,9%	73,0%	74,7%	6,9%*
3.1. Environmental inspection last year [%]	52,6%	51,7%	53,6%	45,9%	44,9%	46,9%	6,8%*
3: Environmental Leadership							
2.2. Any green upgrades made [%]	48,8%	47,8%	49,8%	38,7%	37,8%	39,7%	10,1%*
2.7. Regulation influential in change [%]	20,0%	18,9%	21,1%	14,3%	13,2%	15,4%	5,6%*
4: Environmental Incentives							
3.1 Firm operates in green industry [%]	35,5%	35,4%	35,6%	30,1%	29,2%	31,0%	5,4%*
Firms are concerned about the burden and fairness of increased regulatory activity	2024 National Average			2023 National Average			Change over Time
	Mean	95% CI		Mean	95% CI		
2. Maintaining Standards							
2.2. Selected environmental protection as a troublesome procedure [%]	11,5%	10,9%	12,1%	4,8%	4,4%	5,2%	6,7%*
2.3. Paid informal charge to environmental inspectors [%]	49,1%	47,1%	51,2%	22,2%	20,1%	24,2%	26,9%*
2.4. Inspections of environmental agencies harmonized [%]	1,1%	0,8%	1,4%	1,3%	1,0%	1,6%	-0,2%*
2.5. Environmental inspection was fair to firm [%]	25,7%	24,6%	26,8%	30,2%	29,0%	31,4%	-4,5%*
2.6. Environmental inspection helped address pollution and climate change [%]	26,7%	25,6%	27,8%	30,6%	29,4%	31,8%	-3,9%*

* Statistically significant at the .05 level.

Figure 2.3 presents the 2024 PGI. Provinces are rank-ordered from top to bottom, so the best-performing province is on the far left. Hai Phong, despite not ranking first in any individual index according to **Table 2.2**, ranks first overall due to its cumulative performance across all four subindices, achieving a total score of 29 points. It is followed by Vinh Long [28.16], Ha Nam [28.04], Bac Ninh [27.78], and Binh Duong [27.64].

Figure 2.3. Final 2024 Provincial Green Index



Note: The PCI research team's calculation uses PCI/PCI-FDI survey data and administrative data from the General Statistical Office.

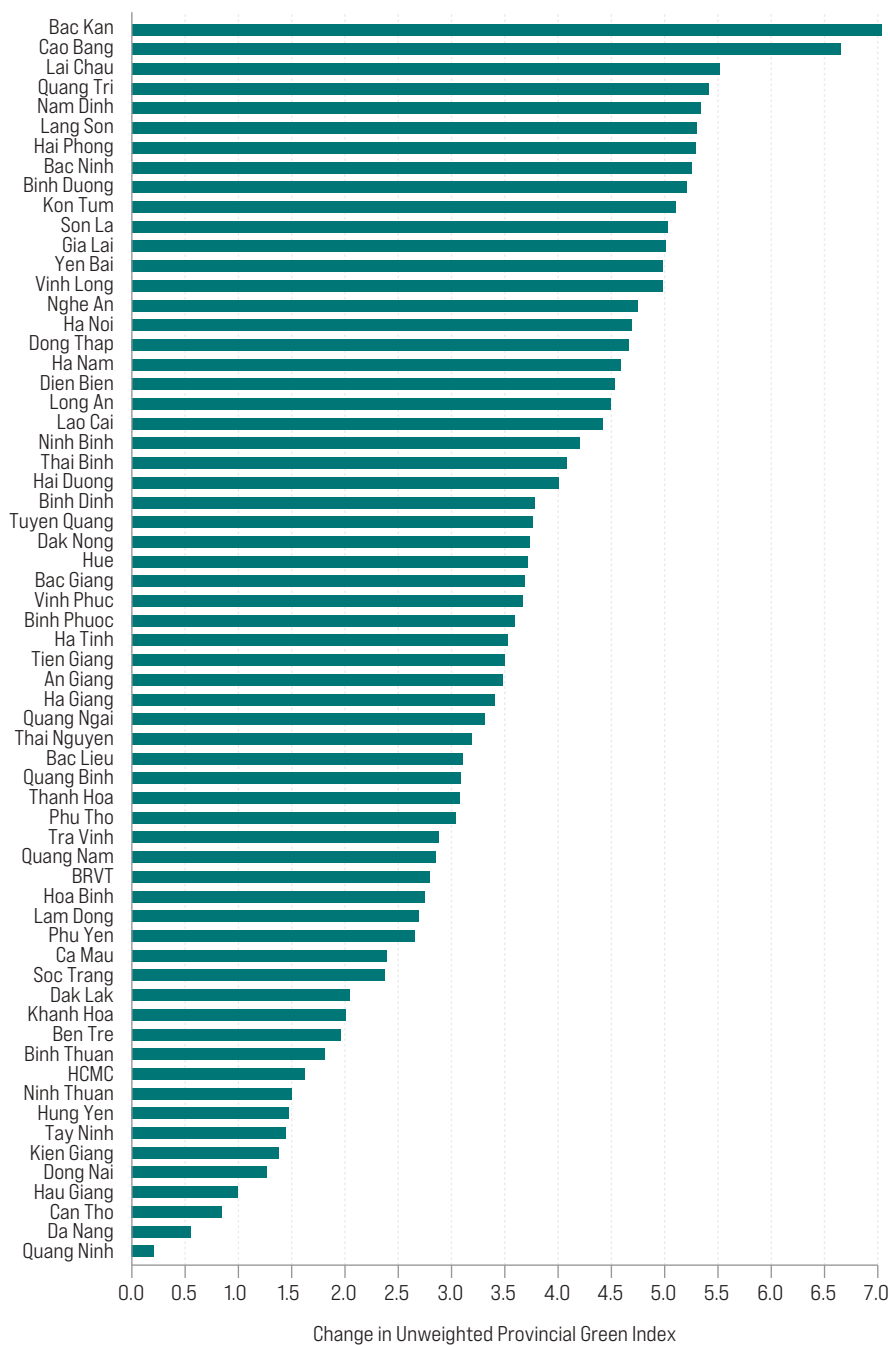
A consistent feature of the PGI over time has been that very few provinces have succeeded on all four determinants of successful environmental governance. *Table 2.2* shows the top performers in each subindex. Indeed, there is very little correlation between the indices. This can also be observed below, where only Binh Duong and Ha Nam appear more than once in the top five. The management tools required for enforcing government regulations and strengthening resilience against climate disasters are quite different from the skillsets necessary to encourage green upgrading with economic inducements.

Table 2.2. Top 5 Provinces in Each PGI Subindex

Top 5 Ranking	1. Pollution & Disaster Resilience	2. Regulatory Standards	3. Leadership & Assistance	4. Incentives & Support Services
1	Nam Dinh	HCMC	Cao Bang	Binh Phuoc
2	Hai Phong	Binh Duong	Bak Kan	Bac Ninh
3	Da Nang	Ha Noi	Dak Nong	Binh Duong
4	Quang Ninh	Tien Giang	Gia Lai	Vinh Long
5	Ba Ria Vung Tau	Ha Nam	Son La	Ha Nam

The dramatic improvements in this year's PGI scores were not driven by a few outlier provinces; in fact, all 63 provinces in this year's PGI demonstrated some improvement. *Figure 2.4* rank orders the size of the changes for each province. A notable achievement is the rise of mountainous and rural provinces, which had lower scores in previous years, but some industrial centers, such as Binh Duong, showed growth as well. As *Table 2.3* demonstrates, Bac Kan and Cao Bang rose to the top on the strength of their efforts to incentivize green upgrading and encourage green investment, while Lai Chau and Binh Duong achieved their growth through greater enforcement of regulatory standards, reduction in pollution, and hardening infrastructure and communications to address climate disasters. Quang Ninh, Da Nang, and Can Tho had slower growth this year on the PGI, but this is primarily a matter of leveling off. They had very high scores in 2023 and had already made many of the reforms that were implemented this year by newcomers. Achieving growth was therefore both more politically and mathematically difficult, as it is hard to grow from a high base.

Figure 2.4. Largest PGI Improvers between 2023 and 2024



Note: The PCI research team's calculation uses PCI/PCI-FDI survey data and administrative data from the General Statistical Office.

Table 2.3. Five Greatest Improvers in Each PGI Subindex

Greatest Improvement	1. Pollution & Disaster Resilience	2. Regulatory Standards	3. Leadership & Assistance	4. Incentives & Support Services
1	Kon Tum	Lai Chau	Cao Bang	Bac Kan
2	Lai Chau	Binh Duong	Bac Kan	Binh Phuoc
3	Binh Duong	Hue	Lang Son	Vinh Long
4	Binh Thuan	Ninh Binh	Gia Lai	Ha Noi
5	Long An	Ha Noi	Yen Bai	Binh Duong

2.1.3. Conclusions and Policy Recommendations

Vietnam's economic growth has brought it to an important crossroads. The remarkable success it has achieved in reaching middle-income status could be undermined by the growing threat of environmental and climatic disasters that damage infrastructure, hinder business operations, and threaten livelihoods. It is important now to put in place the governance infrastructure that will allow policymakers to address these threats while navigating the difficult trade-offs between ensuring continued business dynamism while limiting activities that, by increasing pollution and contributing to climate change, could undercut long-term and sustainable economic development.

This year's PGI scores show that Vietnam is making progress along this path. While there is still much work to do, we document sizable improvements in all four subindices, with particularly strong growth in the harder-to-achieve tasks of providing leadership and incentives to encourage green upgrading.

It is doubly encouraging that the new PGI leaders include important industrial and economic engines and agricultural breadbaskets. Hai Phong [1], Bac Ninh [4], Binh Duong [5], and Long An [6] have hundreds of factories that are responsible for high levels of emissions, so their commitment to environmental enforcement is critical. In addition, the top tier is also comprised of agricultural centers, such as Vinh Long [2] and Dong Thap [7] in the Mekong Delta, which have been threatened by rising sea levels and salination of their fertile rice fields. Importantly, we also document important growth in the rural, mountainous provinces of Bac Kan and Lai Chau, where rich forestry resources need to be carefully conserved for future generations.

Detailed analysis across the four subindices identifies two important tensions of which policymakers should be aware.

First, subindex 1 documents that the impact of climate disasters on businesses rose considerably this year, fueled in part by the widespread destruction of Yagi and other cases of flooding. However, while businesses regretted the losses caused to their operations, they demonstrated real gratitude for the preparation and responsiveness of local officials to their plight. The clear lesson is that costly investment in reinforcing infrastructure, dispersing communications technology, and preparing rapid response teams paid dividends. As the government considers cost-saving and bureaucratic realignment, it is important to recognize the impact these expenditures have played in resurrecting businesses and getting people back to work after hard times.

Second, greater regulatory enforcement is visible and demonstrating effectiveness in reducing pollution and encouraging the greening of business operations. However, many businesses are expressing misgivings about the administrative burdens and rising informal charges associated with this increased stringency. Policymakers need to ensure that vital regulations are enforced as efficiently as possible and that all efforts are made to increase the transparency and accountability of the processes. If businesses come to view environmental regulations as merely a source of rents from malfeasant bureaucrats, they will ignore the strictures, undermining the ultimate goals of increased sustainability.

2.2. Detailed Results

2.2.1. Pollution & Disaster Resilience

The first subindex measures the basic infrastructure and public services provided by provincial governments to reduce business risk from pollution and climate change. The index measures these responsibilities in three dimensions. The first focuses on firms' assessments of provincial efforts to combat pollution. The second measures local government efforts to reduce or mitigate the negative effects of natural disasters. And the third captures available hard data on these approaches. A full list of dimensions, indicators, and the average national scores for 2023 and 2024 can be found in **Table 2.4**.

Nationwide, performance on subindex 1 improved 0.15 points on the ten-point scale above the score achieved in 2023. Businesses reported improvements in environmental quality and reductions both in the amount of pollution and the impact on their businesses. While many more businesses experienced natural disasters this year and saw them as an obstacle to business performance, they were positive about provincial responses to the disasters and the level of infrastructure, communication, and assistance they received from local officials to help them address the disaster.

The first dimension, called combating pollution, is comprised of four survey indicators from the PCI and PCI-FDI surveys. The first indicator is derived from a scaled question asking firms to evaluate environmental quality in their province. The measure takes the provincial share of firms answering good or very good. Nearly 59 percent of firms reported that environmental quality was at least good, which shows steady improvement from 56.5 percent in 2023 and 51.2 percent in 2022. The next indicator reports the share of firms that answered that there was no or low pollution in their community. Nationally, only 31.4 percent of respondents reported low or no pollution, but this was an improvement over 29 percent in 2023. Next, the survey asked if pollution was a problem for their business, extracting the share that reported “no problem” as the third indicator. Scores rose 11 percentage points to 56.1 percent, above the 45 percent reported in 2023. The only negative score on the first dimension was that there was a small rise to 65 percent of respondents who believe that pollution is primarily caused by the activities of enterprises. This increase matters because it indicates that businesses are still not allies in efforts to address pollution and combat climate change. Moreover, growth in this indicator demonstrates a lack of will among businesses to take action that might mitigate the problem.

The second dimension, avoiding environmental disaster, consists of several measures that capture respondents’ perceptions of policies to mitigate climate-related hazards. The first indicator measures the share of firms that believe natural disasters are an obstacle to their businesses,¹⁷ while the second indicator asks more directly whether firms have been impacted by a natural disaster. Both of these indicators worsened this year due to Typhoon Yagi, which affected 26 Northern Provinces and 3.6 million people, causing more than 300 fatalities and an estimated USD1.77 billion in economic losses. Unsurprisingly, the number of businesses who reported being impacted by a natural disaster rose from 66 percent in 2023 to 74.5 percent today, and the share of businesses listing natural disasters as an obstacle rose from under nine percent to nearly 15 percent.

However, despite the scale of the disaster, businesses were generally satisfied with the performance of officials in mitigating the crisis.¹⁸ The next set of six indicators goes beyond mere exposure to disaster and probes the provincial leadership’s preparation for and responsiveness to incidents. These measures are designed to capture local environmental resilience. What steps has the provincial leadership taken to prepare and insulate businesses against environmental incidents? All of them show between five and fifteen percentage point improvements over 2023. Looking at the national averages in column 1, 86 percent of firms say information on meteorology was easy to access, 82 percent report that provincial

¹⁷ An indicator about whether a firm selected a province to avoid obstacles was dropped after consultation with experts, because it did not provide concrete policy guidance for local leaders.

¹⁸ A similar finding was recorded in a survey of citizens in affected regions in UNDP’s PAPI report this year. CECODES, V. (2025). UNDP (2017). The Vietnam Provincial Governance and Public Administration Performance Index (PAPI) 2024: Measuring citizen’s experiences. A Joint Policy Research Paper by Centre for Community Support and Development Studies (CECODES), Centre for Research and Training and United Nations Development Programme (UNDP).

infrastructure is good enough to prevent disasters, and 85 percent claim to have been forewarned about pending environmental incidents. Concerning resilience, 73 percent of firms indicated that local transport was restored after a disaster, while 87 percent stated infrastructure was rapidly restored. Finally, 84 percent hold that their provincial government helps businesses overcome the consequences of an environmental disaster.

We do not see much improvement in the share of communes with daily waste collection, which remained stuck at about 81 percent. This measure is a clear administrative gauge of provincial expenditures to reduce pollution and demonstrate local environmental capacity. As noted in the methodology section in **Appendix A**, this dimension accounts for 40 percent of the first subindex compared to 30 percent for each of the other two.

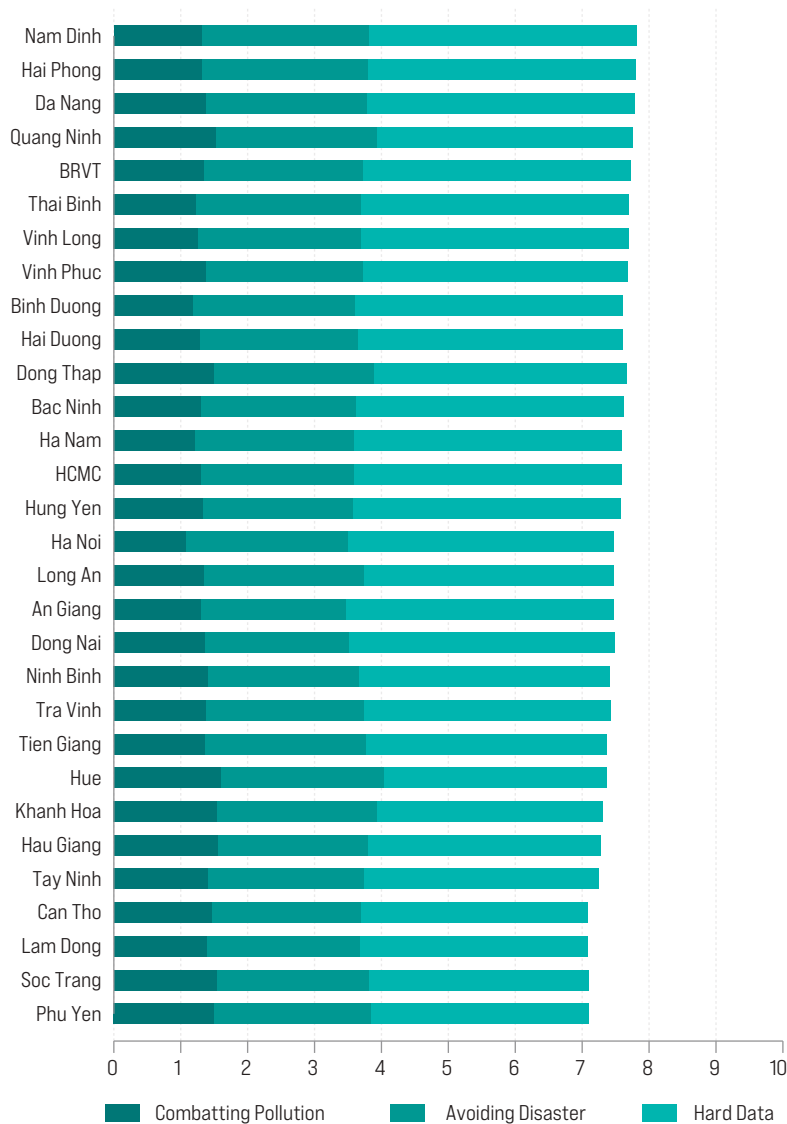
Table 2.4. Indicator Scores for Subindex 1 - Pollution & Disaster Resilience

Indicator	2024 National Average			2023 National Average			Change over Time
	Mean	95% CI		Mean	95% CI		
1: Minimizing Risk	6,90	6,88	6,92	6,75	6,73	6,78	0,15*
PGI Dimension 1.1. Combatting Pollution	1,35	1,34	1,36	1,31	1,30	1,32	0,04*
i. Environmental quality is good or v. good [%]	58,7%	57,7%	59,6%	56,5%	55,5%	57,5%	2,2%*
ii. No or low pollution [% agree]	31,4%	30,5%	32,3%	28,6%	27,7%	29,5%	2,8%*
iii. Pollution is no problem [% agree]	56,1%	55,1%	57,0%	45,0%	44,0%	46,0%	11,1%*
iv. Enterprises cause pollution [% agree]	64,8%	63,9%	65,7%	61,7%	60,8%	62,7%	3,1%*
PGI Dimension 1.2. Avoiding Environmental Disaster	2,35	2,34	2,36	2,22	2,21	2,23	0,13
i. Natural disasters are an obstacle [%]	14,5%	13,8%	15,2%	8,7%	8,1%	9,2%	5,8%*
ii. Natural disasters impacted my business [%]	74,5%	73,6%	75,3%	66,0%	65,1%	66,9%	8,5%*
iii. Information on weather meteorology easy to access [%]	86,1%	85,4%	86,8%	78,5%	77,7%	79,3%	7,6%*
iv. Infrastructure good enough to prevent disasters [%]	82,1%	81,3%	82,8%	74,4%	73,5%	75,2%	7,7%*
v. Provincial government warns businesses about disasters [%]	85,4%	84,7%	86,1%	77,7%	76,8%	78,5%	7,7%*
vi. Local transport quickly restored after disasters [%]	72,9%	71,8%	74,0%	57,8%	56,4%	59,1%	15,1%*
vii. Infrastructure quickly restored after disasters [%]	86,9%	86,2%	87,6%	79,2%	78,4%	80,0%	7,7%*
viii. Provincial government helps businesses overcome [%]	84,1%	83,4%	84,8%	75,9%	75,1%	76,8%	8,1%*
PGI Dimension 1.3. Hard Data	3,18	3,16	3,20	3,17	3,15	3,19	0,01
i. Communes with daily waste collection [%]	81,7%	81,2%	82,1%	81,3%	80,9%	81,8%	0,3%

* Statistically significant at the .05 level.

The three dimensions were then weighted and combined into a final composite index shown in **Figure 2.5**. While the possible score ranges from 1 (minimum) to 10 (maximum), none of the 63 provinces achieved above 8. Red River Delta and Mekong Delta provinces tended to perform well on this index. However, provinces in the northern mountains and central coast faced more difficulties, which reflects the impact of Yagi.

Figure 2.5. Subindex 1 - Pollution & Disaster Resilience



Note: The PCI research team's calculation uses PCI/PCI-FDI survey data and administrative data from the General statistical Office.

2.2.2. Regulatory Standards

The second PGI subindex measures efforts by provincial officials to uphold environmentally safe standards through high-quality regulations, reasonable inspections, and enforcement against polluters. The subindex is divided into four dimensions. The first two are drawn from survey data and reflect firms' assessments of provincial leaders' willingness to hold polluters accountable and the quality of environmental regulation. The second two are drawn from the administrative data to cover the government's assessment of business compliance with wastewater and solid waste regulations. In line with our methodology, dimensions 1 and 2 receive 30 percent weights each, compared to 20 percent weights for each of the two dimensions based on GSO data. All indicators for 2023 and 2024 can be found in *Table 2.5*.

While overall scores improved by over a full point on the 10-point index between 2023 and 2024, the scores on the two dimensions are quite mixed. Firms strongly agree that provinces have made substantial efforts to address pollution and punish businesses that damage the environment, but they are less happy about the methods used to achieve it. Beliefs that environmental inspections have become a burden are unfair, and may be a source of bribery, are becoming more widespread.

Dimension 1, measuring actions taken to punish pollution, is comprised of four perception-based indicators drawn from a new module in the PCI and PCI-FDI surveys. The four questions assess three aspects of provincial efforts to counteract and mitigate pollution: prevention, response, and accountability. The first question studies preventive measures, gauging business assessments of whether authorities have effective measures to stop pollution from happening in the first place. Studying the national averages in column 2 of *Table 2.3*, close to 80 percent of businesses agreed that preventive measures were in place in their locality, up from 73 percent in 2023. The second measure studies responsiveness, capturing whether authorities respond promptly to pollution incidents. 78 percent of firms agreed that provincial leaders were responding adequately, an increase of seven points over 2023. The third indicator drills down to focus on accountability—does the province punish polluters? 81 percent of firms agreed with the statement, improving from 74 percent last year. The final indicator directly asks whether businesses are held accountable for their actions if they violate environmental regulations and cause pollution. This indicator, which reflects LEP 2020 and Decree 45, which both strengthened punishments and liability for environmental violations, did not show significant improvement this year. Only 2.6 percent of respondents nationwide could recall an incident where a business was punished for a lack of environmental compliance.

Dimension 2 aims to measure the quality, thoroughness, and fairness of environmental regulations. The variables seek to capture the double-edged sword of environmental regulation. Intensive and rigorous regulation is necessary to ensure compliance and avoid pollution and environmental damage. However, overly burdensome regulations can obstruct business operations and impede the economic benefits of investment. In the worst

case, unfair rules or inequitable implementation may generate negativity and feelings of illegitimacy that undermine compliance.¹⁹ The scores indicate an increasing wariness about the burden and arbitrariness of environmental inspections.

The first indicator measures the level of regulatory oversight by asking whether the business was visited by environmental inspectors this year. 53 percent of firms reported at least one inspection, which is a seven point increase over 2023. Next, the survey asked whether the inspection was troublesome as an indicator of whether environmental difficulties had been discovered. The 2020 LEP was meant to alleviate the time costs of regulations by switching to a post-inspection approach emphasizing self-enforcement and reporting by enterprises. Last year, only 5 percent of firms cited environmental inspectors as creating excess regulatory burdens. In 2024, however, over twice that amount (11.5 percent) cited environmental inspections as a burden. To measure whether this attention was in the public interest or merely pernicious, the survey probed whether environmental inspectors requested bribes (informal charges) during their visits. A high share of firms answering “yes” on this question is used to measure poor environmental regulations, as the focus is on pecuniary gain for the inspector rather than compliance with the rules. Moreover, a high score here indicates that businesses can avoid environmental accountability through the strategic use of informal charges, which undermines enforcement goals. Scores more than doubled over 2023 – 50 percent of firms nationwide paid an informal charge to an environmental inspector this year, compared to only 22 percent of businesses last year. However, the low national score conceals a great deal of local variation.²⁰ Only 17 percent of firms paid environmental bribes in Ha Nam, compared to a higher proportion in several other provinces.

Three additional measures that probed the quality of the regulations in more detail.

The first indicator captures whether regulations by multiple environmental agencies were harmonized to reduce disruptions to business operations. Unfortunately, looking at the national average, only 11.1 percent of firms reported streamlining by different agencies, which is actually a slight decline from 2023. The next indicator measured whether businesses thought the inspection was fair. Specifically, were the issues highlighted, problems identified, citations issued, and fines levied legitimate and reasonable? Just under one-quarter (25 percent) of respondents concurred, a five percentage point reduction from the already low score of 30 percent in 2023. Finally, the survey probed the sincerity of the inspection by measuring whether the businesses achieved the ultimate goal of reducing pollution and mitigating climate change. Slightly over one quarter percent of firms nationwide agreed, which again indicated a sizable reduction. Clearly, more effort needs to be made to convince firms that environmental inspections are worthwhile for achieving public interest goals.

19 Malesky, Edmund, and Markus Taussig. (2017). “The danger of not listening to firms: Government responsiveness and the goal of regulatory compliance”. *Academy of Management Journal* 60.5: 1741-1770.

20 Note that this indicator uses all firms in the province as the denominator rather than just the share of firms that underwent an inspection.

Dimensions 3 and 4 capture two very different pollution reduction activities. Dimension 3 measures wastewater treatment and disposal. The purpose of these regulations is to avoid the leakage of dangerous pollutants into the water system, which could endanger citizens' health and harm agriculture and aquaculture industries that depend on clean water for their activities. According to the GSO, about 82 percent of IZs comply, which is nearly exactly the same as in 2023.

Dimension 4 looks specifically at solid waste, studying the share of treated waste that meets environmental standards. Toxic items can be dealt with before they endanger the environment or public health, normal items can be appropriately disposed of, and recyclable items can be directed to the proper companies to allow for the conservation of resources. Nationwide, 90 percent of solid waste treatment was considered environmentally sustainable.

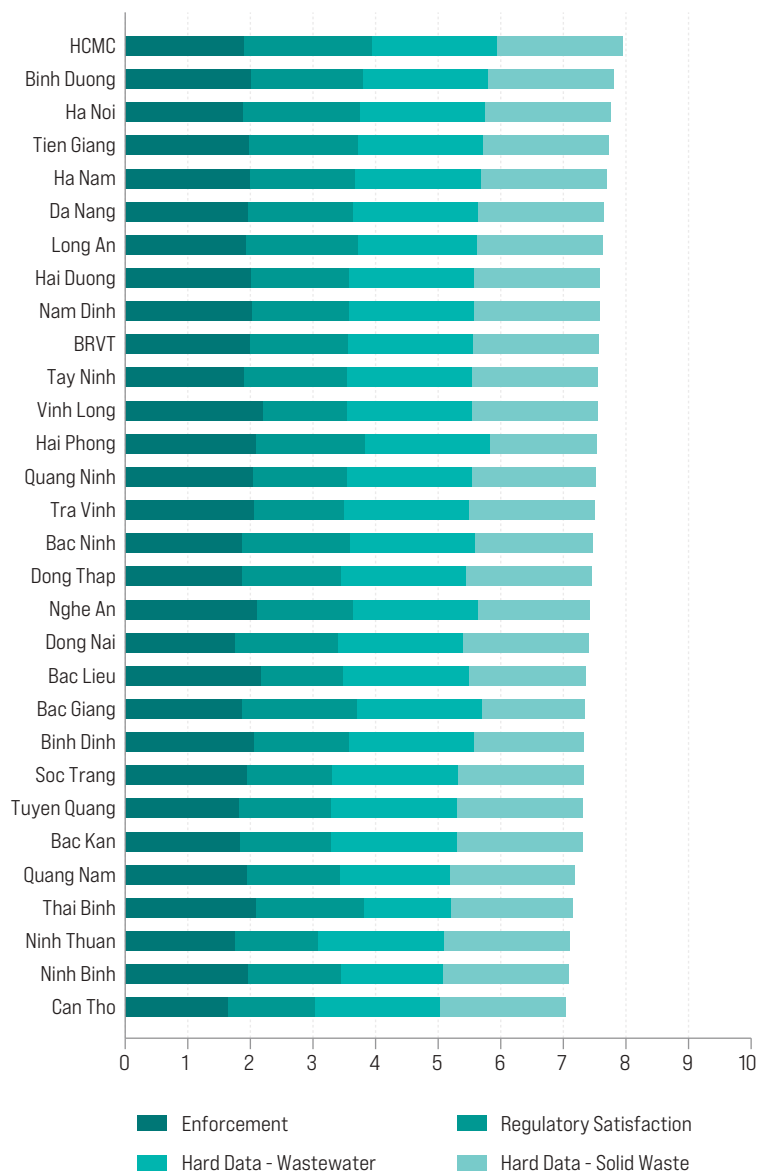
Table 2.5. Indicator Scores for Subindex 2 - Regulatory Standards

Indicator	2024 National Average			2023 National Average			Change over Time
	Mean	95% CI		Mean	95% CI		
2: Maintaining Standards	6,97	6,95	7,00	5,84	5,81	5,87	1,13*
PGI Dimension 2.1. Enforcement Against Polluters	1,93	1,92	1,95	1,79	1,77	1,80	0,15*
i. Province has measures to prevent pollution [% agree]	79,9%	79,1%	80,6%	72,5%	71,6%	73,4%	7,4%*
ii. Province takes timely action to deal with pollution [% agree]	78,2%	77,4%	79,0%	70,9%	70,0%	71,8%	7,3%*
iii. Province punishes polluters [% agree]	80,8%	80,0%	81,5%	73,9%	73,0%	74,7%	6,9%*
iv. Firm cited for infractions for lack of environmental compliance [%]	2,6%	2,2%	3,0%	2,4%	2,0%	2,8%	0,2%*
PGI Dimension 2.2. Satisfaction w/ Environmental Regulation	1,63	1,62	1,64	1,93	1,92	1,94	-0,30
i. Environmental inspector last year [%]	52,6%	51,7%	53,6%	45,9%	44,9%	46,9%	6,8%*
ii. Selected environmental protection as a troublesome procedure [%]	11,5%	10,9%	12,1%	4,8%	4,4%	5,2%	6,7%*
iii. Paid informal charge to environmental inspectors [%]	49,1%	47,1%	51,2%	22,2%	20,1%	24,2%	26,9%*
iv. Inspections of environmental agencies harmonized [%]	1,1%	0,8%	1,4%	1,3%	1,0%	1,6%	-0,2%*
v. Environmental inspection was fair to firm [%]	25,7%	24,6%	26,8%	30,2%	29,0%	31,4%	-4,5%*
vi. Environmental inspection helped address pollution and climate change [%]	26,7%	25,6%	27,8%	30,6%	29,4%	31,8%	-3,9%*
PGI Dimension 2.3. Hard Data - Wastewater	1,69	1,68	1,70	1,68	1,67	1,69	0,7%
i. Operating IZs with centralized wastewater treatment plants meeting [%]	82,7%	82,0%	83,3%	82,3%	81,6%	82,9%	0,4%
PGI Dimension 2.4. Hard Data - Solid Waste	1,72	1,72	1,73	0,44	0,44	0,45	
i. Treated solid waste that meets environmental standards [%]	89,1%	88,8%	89,4%				

* Statistically significant at the .05 level.

Figure 2.6 presents the cumulative results of the second subindex for all provinces above the median score. Ho Chi Minh City, Binh Duong, and Ha Noi rank highly due to their high performance on the quality of environmental regulation and their developed wastewater treatment system. Ho Chi Minh ranks first due to its excellent performance on the general satisfaction of survey respondents regarding regulatory quality.

Figure 2.6. Subindex 2 - Regulatory Standards



Note: The PCI research team's calculation uses PCI/PCI-FDI survey data and administrative data from the General Statistical Office.

2.2.3. Leadership & Assistance

The third PGI subindex measures provincial governments' environmental leadership in two areas: 1) green procurement and 2) guidance on environmental protection policies and associated regulations that are relevant to firms' operations. This subindex is divided into three dimensions. The first two dimensions measure firms' responses to questions in the PCI and PCI-FDI survey about their experience with government practices in green procurement and whether they have received guidance on sustainable practices from their provincial government. The third dimension relies on hard data from provincial government employment measures. *Table 2.6* gives an overview of all three dimensions and their corresponding indicators.

Overall, we observe sizable improvements in both efforts of leaders to green their own behavior and encourage green operations among the businesses they operate. We document the provincial prioritization of green businesses in government procurement and operations. At the same time, we see local businesses continuing to make upgrades as a result of local regulations and guidance.

Dimension 1 focuses on green procurement using firms' perception of their provincial government's commitment and readiness to purchase goods and services from providers with positive environmental records. It is based on two questions from the PCI and PCI-FDI surveys. The first question measures firms' agreement that the provincial government prioritizes purchasing goods and services from environmentally friendly providers. The second question asks to what extent firms believe the provincial government is willing to pay a premium for goods and services that are sourced in an environmentally sustainable manner. Overall, there is considerable consistency in the responses. On average, 83 percent of respondents agree that provincial governments are committed to green procurement, which is a remarkable 13 percentage point improvement over 2023. The average response to the second question about an environmental premium is 79 percent, a 14.1 point increase over 2023. Variation on these measures is relatively low. Close to three-quarters of firms answer "yes" to both questions in nearly every province.

Dimension 2 captures the share of firms receiving guidance from the provincial government on environmental regulations and activities to help minimize their environmental impact. The dimension consists of eight indicators that capture the level of environmental upgrading of businesses in the province, the amount they spent on these upgrades, the assistance the

firms received in contemplating and executing the changes, and finally, the role of regulatory oversight in incentivizing them.²¹

Building on these questions, the index deploys four indicators for Dimension 3 to measure the scale of green upgrades by businesses in each province. The first indicator captures the total amount of upgrades in the past two years, while the second indicator captures the share of firms that made any changes at all. Nationally, 49 percent of respondents made an average of 3.04 upgrades in the past two years, compared to 30 percent of 2.6 upgrades in prior periods. All four show improvement of between 10 and 25 percent from the same measures in 2023.

The fifth indicator in dimension 2 measures financial commitment by asking about the amount that each firm spent on its green upgrading. More resources expended indicate that businesses take environmental protection seriously in comparison to other business activities. On average, environmental expenditures were quite low. The average firm spent only 1.3 percent of its operating costs on green updates. This demonstrates an insignificant 0.3 point increase over 2023. Binh Thuan again stands out as a province encouraging green expenditures, with businesses' green outlays at 2.7 percent of costs, nearly twice the national average.

The final set of three indicator questions for the second dimension of “green regulatory guidance” captures the province’s role in assisting and proposing green upgrading. First, if a firm engaged in any green upgrading, the survey followed up with a battery of questions asking whether it received guidance, instruction, or communication from the local authorities on how to comply with environmental regulations. A higher share of firms answering “yes” to these questions suggests more concerted efforts by the provincial government to increase firms’ environmental literacy and awareness of existing regulatory frameworks and sustainable practices. Nationally, a relatively high share of upgraders (59 percent) report that they obtained support from their provincial government in navigating environmental regulations. However, this figure represents a decline since 2023.

A key motivation for upgrading appears to be enhanced regulatory enforcement. The research team queried what factors motivated the firm to upgrade. If a firm listed regulation as a factor, the response was scored as a positive sign for the provincial regulatory environment. Twenty percent of firms nationally listed regulation as important in their

²¹ To create the index, the research team first asked firms a battery of survey questions asking about green upgrades they undertook in the past year as well as completed upgrades initiated during the years preceding the survey. Firms were provided with a list of 15 common but important firm-level green upgrades, including 1) digitalization of paperwork to reduce paper usage; 2) deployment of energy-saving technology; 3) attention to energy conservation in business operations; 4) installation of an air quality monitor; 5) installation of an energy use meter to measure how much energy a firm uses over the course of the day; 6) use of renewable energy (i.e., solar panels); 7) production of renewable energy; 8) minimization of plastics in production and packaging; 9) investing in cleaner solid waste management; 10) water conservation; 11) improved wastewater treatment; 12) planting new trees; 13) training employees on green processes; 14) training managers on green processes; and 15) hiring an environmental compliance manager. Upgrades not on our established list were captured with an “other” category.

decision, which was the most popular category, and represents a six percentage point increase over 2023. Only 9.6 percent of non-upgrading firms nationally thought they would be more likely to invest if their localities had more fulsome regulations.

The third dimension reflects the provincial government's personnel commitment to environmental protection. The research team collected data on provincial government staffing to measure the share of a province's total budget that was dedicated to environmental enforcement. Overall, the national average of 162 environmental staff per million citizens indicates that, in terms of resources, this is still a relatively low-priority issue area. However, differences across provinces suggest that some local governments recognize the need to protect the environment and have ramped up their financial commitments to this end. Notably, Cao Bang dedicates 434 people to environmental protection, compared to Hanoi, with only 70 officials per million citizens.

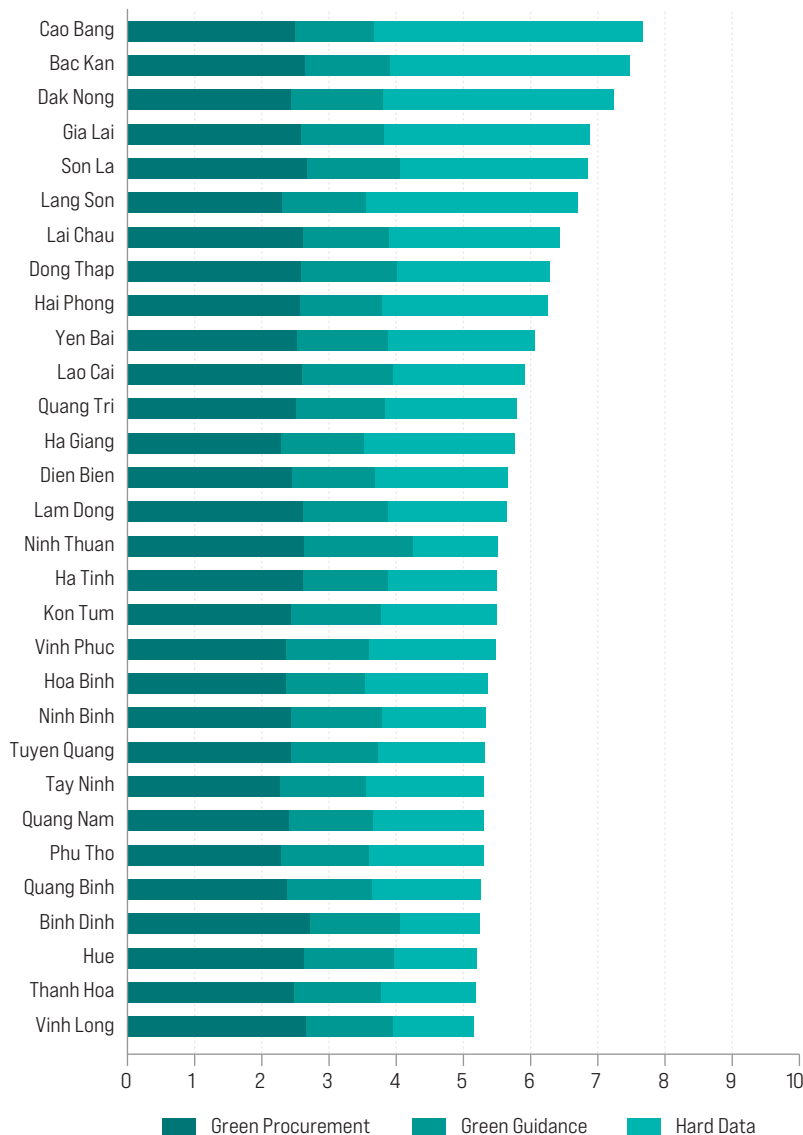
Table 2.6. Indicator Scores for Subindex 3 - Leadership & Assistance

Indicator	2024 National Average			2023 National Average			Change over Time
	Mean	95% CI		Mean	95% CI		
3: Environmental Leadership	5,11	5,08	5,13	4,29	4,26	4,32	0,82*
PGI Dimension 3.1. Green Procurement	2,49	2,47	2,51	2,12	2,10	2,15	0,37*
i. Provincial government prioritizes purchasing from green firms [%]	83,4%	82,7%	84,1%	70,4%	69,5%	71,3%	13,0%*
ii. Provincial government pays premium for green goods & services [%]	78,6%	77,8%	79,4%	64,5%	63,5%	65,4%	14,1%*
PGI Dimension 3.2. Green Regulatory Guidance	1,29	1,28	1,30	1,19	1,18	1,20	0,10
i. Total green upgrades made by firm [#]	3,04	2,96	3,13	2,73	2,64	2,82	0,31
ii. Any green upgrades made [%]	48,8%	47,8%	49,8%	38,7%	37,8%	39,7%	10,1%*
iii. Total green current processes already in place [#]	2,55	2,45	2,65	1,86	1,77	1,96	0,69
iv. Any green processes already in place [%]	29,6%	28,7%	30,5%	17,7%	17,0%	18,5%	11,9%*
v. Amount spent on green upgrades/ operating costs [%]	1,3%	1,27%	1,36%	1,0%	1,0%	1,1%	0,3%
vi. Received guidance from local authorities	58,9%	57,5%	60,2%	60,9%	59,4%	62,5%	-2,1%
vii. Regulation influential in change [%]	20,0%	18,9%	21,1%	14,3%	13,2%	15,4%	5,6%*
viii. Did not make green upgrades because of lack of regulation [%]	9,6%	8,9%	10,3%	7,5%	6,9%	8,1%	2,1%*
PGI Dimension 3.3. Hard Data	1,33	1,31	1,34	0,98	0,96	0,99	0,35
Public servants in charge of environmental protection per million people [%]	162,35	160,86	163,83				

* Statistically significant at the .05 level.

Dimensions 1 and 2 counted 60 percent toward the subindex, while Dimension 3 contributed the remaining 40 percent (see Table 2.6). The provincial ranking on the aggregated subindex is shown in **Figure 2.7**. With an average score of 7.66, Cao Bang, Bac Kan, and Dak Nong ranked at the top of the index, propelled by the high numbers of personnel they had in environmental protection. Large service sectors, especially businesses interested in eco-tourism, appear to play a role in motivating provincial leadership to adopt environmentally friendly changes.

Figure 2.7. Subindex 3 - Leadership & Assistance



Note: The PCI research team's calculation uses PCI/PCI-FDI survey data and administrative data from the General Statistical Office.

2.2.4. Incentives & Support Services

The final subindex describes the availability and the reach of government instruments aimed at improving the private sector's environmental performance. Specifically, this subindex captures two dimensions measuring firms' access to local government-sponsored programs that incentivize businesses to adopt environmentally sustainable practices, as well as public advisory and training services to increase the uptake of sustainable approaches to doing business. Both dimensions draw on data from the PCI and PCI-FDI surveys. *Table 2.7* lists all the indicators employed in the subindex.

Dimension 1 provides information about the existence and accessibility of government incentive programs to support local green growth strategies. It is measured as the share of firms engaged in green upgrading that benefited from government incentive schemes. Firms that never received support from an incentive program financed by the local government were coded as 0. The analysis shows that nationally, 43.5 percent of upgrading firms received either a tax incentive, tax holiday, or subsidy, a remarkable 10 percentage point increase over 2023. The second indicator turns to the firms that did not make upgrades, asking why they chose not to initiate such improvements. The index records the share of firms that said they lacked financial capacity. In total, 13 percent of firms did not upgrade because they lacked the resources, down just under two percentage points from 2023.

Dimension 2 uses three questions from the PCI and PCI-FDI surveys to measure the accessibility of advisory and training services to improve businesses' environmental performance. First, the analysis takes the share of green upgraders that benefited from advisory services offered by the provincial government. Next, the team applies the same approach to obtain information about the percentage of green upgraders that benefited from training to improve environmental performance and their overall experience with the service. Green advisory and training services are reasonably accessible; nationally, 48 percent and 49 percent of green upgraders were able to access them, respectively. These both constitute over a ten percentage point increase above the scores achieved in 2023.

The hard data of dimension 3 is supplied by our calculations of the share of firms operating in green industries in each province. The more firms in green industries, the more one can say that the provincial government has been encouraging this activity in line with the

government's green growth strategy.²² To generate this measure, the research team took the 325 goods and services counted by the United States Bureau of Labor Statistics as green jobs and matched them to the four-digit industrial codes in the PCI data.²³ The research team then calculated the share of firms in each province that operate in these 325 business lines. This year, 35.5 percent of firms in the PCI survey operate in green businesses, a significant 5.4 percent improvement over 2023.

Table 2.7. Indicator Scores for Subindex 4 - Incentives & Support Services

Indicator	2024 National Average			2023 National Average			2023
	Mean	95% CI		5,11	Mean		National Average
4: Environmental Incentives	6,41	6,38	6,43	5,11	5,07	5,15	1,30*
PGI Dimension 4.1. Incentive Programs	2,03	2,01	2,04	1,89	1,88	1,91	0,13*
i. Green upgrades benefitted from tax incentive programs [%]	43,5%	42,1%	44,9%	33,1%	31,6%	34,6%	10,4%*
ii. Did not make green upgrades because of lack of capacity [%]	13,0%	12,2%	13,7%	14,7%	13,9%	15,4%	-1,7%*
PGI Dimension 4.2. Advising and Training Programs	1,82	1,81	1,83	1,73	1,72	1,74	0,09*
i. Green upgrades benefitted from government's advisory services [%]	48,1%	46,7%	49,5%	38,1%	36,6%	39,6%	10,0%*
ii. Green upgrades benefitted from government's training services [%]	49,2%	47,8%	50,6%	36,4%	34,8%	37,9%	12,8%*
iii. Did not make green upgrades because of lack of awareness [%]	24,0%	12,2%	13,7%	14,7%	13,9%	15,4%	9,3%*
PGI Dimension 4.3. Hard Data	2,56	0,23	0,25	1,48	1,45	1,52	1,08*
i. Firm operates in green industry [%]	35,5%	35,4%	35,6%	30,1%	29,2%	31,0%	5,4%*

* Statistically significant at the .05 level.

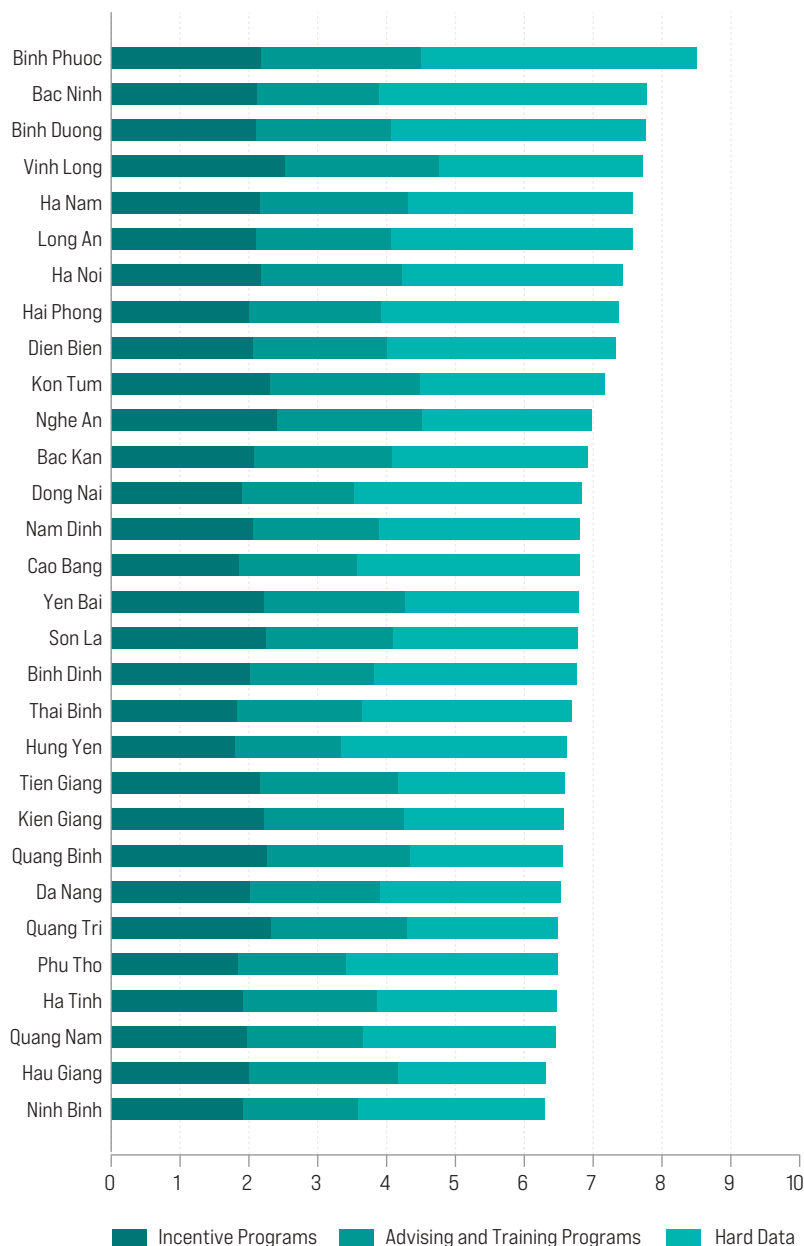
Overall, Binh Phuoc, Bac Ninh, and Binh Duong produce the highest scores on the effectiveness of government support, shown in Figure 2.8. Binh Phuoc, Bac Ninh, and Binh Duong stand out for the tremendous out of the green industry taking place within their borders. Nearly 50 percent of respondents in those provinces operate in one of the three

22 There are three types of green business lines. First and most prominent are businesses that produce goods or provide services benefiting the environment or conserving natural resources. Examples of the second category include businesses in which workers' duties involve making their establishment's production processes more environmentally friendly or using fewer natural resources. Businesses that employ workers to reduce their energy usage, increase efficiency, remove waste, or conserve resources within a particular business line also count. The third type is businesses whose environmental footprint is negligible, such as those engaged in non-carbon-intensive trade or services. Many of Vietnam's very small wholesale and retail trading businesses fall into this category.

23 US Bureau of Labor Statistics. (2023). "Green Goods and Services (GGS)". <<https://www.bls.gov/ggs/ggsoverview.htm>>. Because these data were coded using the NAICS coding system for industries, the research team wrote a convergence table to match them to the ISIC coding system used for PCI data.

main green sectors. Correspondingly, Binh Phuoc also placed second on dimension 2, due to the fact that 71 and 69 percent of upgrading firms claimed to have done so due to the advisory and training services.

Figure 2.8. Subindex 4 - Incentives & Support Services



Note: The PCI research team's calculation uses PCI/PCI-FDI survey data and administrative data from the General Statistical Office.

2.3. The Provincial Green Index (PGI)

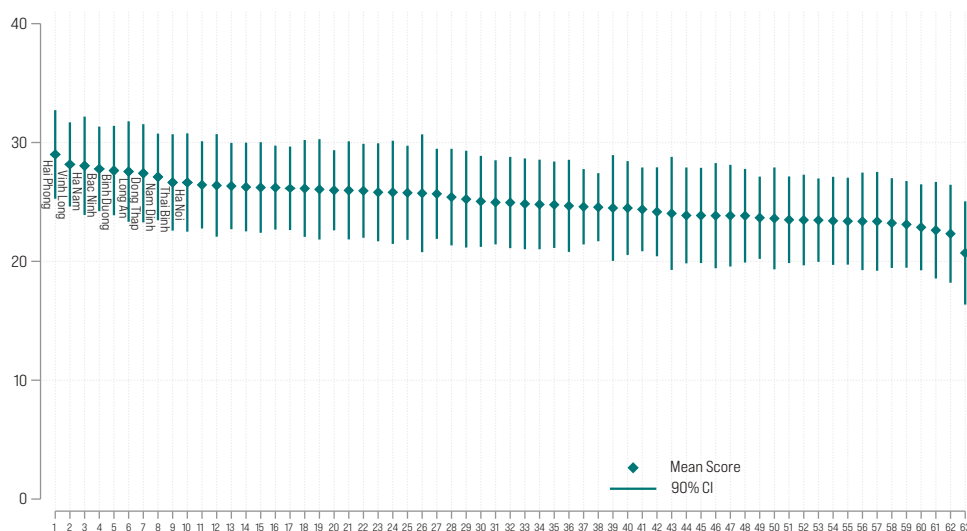
The final PGI is constructed by summing the four subindices to create an unweighted index. Each subindex receives an equal weight of 25 percent. Thus, the total possible score of the PGI equals forty points.

Figure 2.9 presents the 2024 PGI. The score for each province is displayed by the green diamond. The horizontal axis shows the implied rank of the provinces. Provinces are rank-ordered from left to right, so the best-performing province is on the far left. Hai Phong, despite not ranking first in any individual index, ranks first overall due to its cumulative performance across all four subindices, achieving a total score of 29 points. It is followed by Vinh Long (28.16), Ha Nam (28.04), Bac Ninh (27.78), and Binh Duong (27.64).

The range bars depict 90 percent confidence intervals around the mean score. The confidence intervals can be interpreted as the range of possible scores a province's PGI could take if the research team repeated the PGI survey and construction of the index 1000 times.

Depicting the index this way leads to two critical findings. First, no province comes close to the maximum possible score of 40 for green policies. Second, there is very little statistical difference between the highest and lowest-ranked provinces. In alternative samples of the domestic and foreign populations, it would be possible for even the lowest-ranked provinces to achieve high scores. As noted above, a key reason for this low performance and lack of variance in overall provincial scores has to do with the clear decisions provinces are making in choosing to specialize in only one or two facets of green behavior. One reason for this may be that the country's green growth strategy is still being rolled out quite slowly and has yet to be fully integrated into provincial socio-economic development plans. In many provinces, although green growth action plans have been approved and issued, there is a lack of specificity, and some plans are currently not well-suited or feasible for a province given its underlying economic conditions.

Figure 2.9. Provincial Green Index Ranking with Range Bars

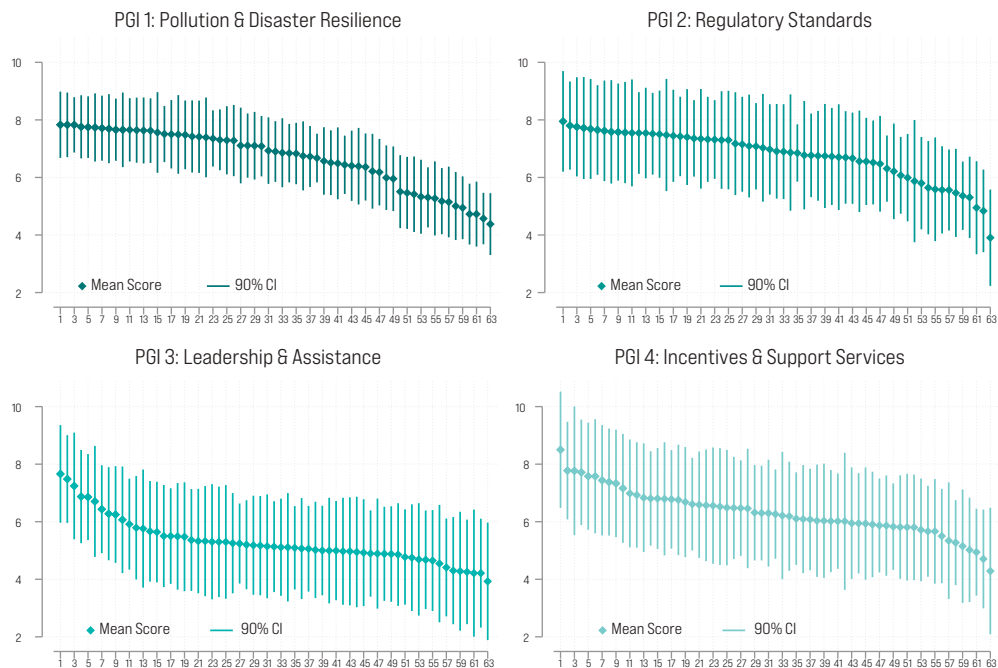


Note: The PCI research team's calculation uses PCI/PCI-FDI survey data and administrative data from the General Statistical Office.

While there is little evidence of star performers in the aggregate, some provinces are distinguishing themselves with high-quality policies. To illustrate this point, *Figure 2.10* creates the same 90 percent confidence intervals for each of the four PGI subindices. The plot indicates much tighter confidence intervals and clearer differentiation in subindices 1 and 2 than in subindices 3 and 4. For instance, in the PGI 1 quadrant, Nam Dinh, Da Nang, and Hai Phong provinces have confidence intervals that do not overlap with the low-ranked provinces. This indicates that placement is statistically reliable and that they are good provinces to learn from. The tight confidence intervals indicate less variance in provincial responses, which means that firms within a locality tend to agree in their assessments.

In subindex 4, where the policy practices are newer to Vietnam, the confidence intervals in 2023 were larger and did not appear to show much provincial differentiation. This year, however, it is clear that there are true leaders in this area. Binh Phuoc, Bac Ninh, and Binh Duong rank well above their peers.

Looking at all four indices as a whole, it is possible to see how even the best-performing provinces fall short in one area. Furthermore, most provinces score quite poorly, especially in subindex 4, as few provinces have active incentive programs at the time of the survey.

Figure 2.10. Range Bars and Rankings for all Four Subindices

Note: The PCI research team's calculation uses PCI/PCI-FDI survey data and administrative data from the General Statistical Office.

2.4. Conclusion

The consistent methodology of the PGI allows us to compare changes over time, both at the national and provincial levels. Doing so demonstrates that great progress has been made on environmental governance that should comfort Vietnamese policymakers, businesses, and citizens.

At the same time, our longitudinal analysis points to two critical tensions: 1) exposure to climate crises are increasing, but government responsiveness has, for the time being, managed to mitigate the worst effects; and 2) increased regulatory enforcement has reduced pollution and incentivized upgrading, but businesses are frustrated by increased administrative burdens, unfairness, and informal charges. Hopefully, are detailed analysis will be able to guide policymakers in their approaches to resolving these tensions, by highlighting key areas and agencies to focus on and by identifying excellent performers, such as Hai Phong and Binh Duong, which can be studied closely to learn about translatable best practices.

Achieving these goals will require maintaining the rigorous collection of high-quality data on environmental governance, green upgrading, and pollution into the future. While PGI data does not need to be collected on an annual basis, regular efforts to survey businesses and assemble administrative data are necessary for informing the challenging decisions that policymakers will need to make in managing the highwire balancing act of achieving both economic and sustainability goals.

2.5. Appendix A: Brief PGI Methodology

The goal of the PGI is to provide actionable advice to national and subnational officials regarding appropriate policies to reduce the impact of climate change and pollution on business performance and longevity. Consequently, the PGI, like its PCI cousin presented in Chapter 1, is an input-based ranking constructed with indicators capturing policy inputs (measures of provincial actions) that could be potentially correlated with downstream climate and pollution outcomes, such as natural disasters or the levels of particulate matter 2.5 (PM 2.5), nitrogen dioxide (NO₂), and sulfur dioxide (SO₂) in the air and water.

Assembly of the PGI adheres to the same methodology employed in the PCI and Infrastructure Index, which the research team describes as the three Cs. *Collection* involves gathering actionable indicators from survey questions in the annual PCI and PCI-FDI surveys alongside relevant administrative data provided by government agencies. *Construction* rescales these indicators into a 10-point scale and compiles them into theoretically coherent subindices to capture critical dimensions in environmental policy. *Calibration* weights each subindex based on its relative importance in affecting critical outcome variables.

The 2024 PGI uses the same methodological approach, indicators, and weights that were presented in the 2023 report. This methodology was vetted by the PCI advisory board and also shared with provincial officials. However, three administrative indicators needed to be replaced due to data availability issues. These indicators were not produced by MONRE in 2024, or did not have enough provincial coverage to be reliable.²⁴ Before replacing them, we checked the correlation between the new and old figures using 2023 data to determine that the old and replacement measures were significantly correlated and their use would not have an overwhelming effect on index rankings.

²⁴ “Tons of solid waste collected & treated per 1000 people” (subindex 2) was replaced with the “share of treated solid waste meeting environmental standards (%)” In past years, we had imputed these measures, but with less than 25% of provinces reporting, we did not think results using these indicator would be reliable. Similarly, the “proportion of state budget allocated to environmental work” (subindex 3) was replaced with public servants in charge of environmental protection per million people (%).”

The 2024 PGI is comprised of 41 indicators, which are divided into four subindices that measure the effectiveness of green private sector development policy at the provincial level in Vietnam. As with the PCI, individual indicators must balance between the advantages of survey and administrative data. Survey data is well-suited for capturing nuanced concepts and accurately reflecting the experiences of private and foreign firms about the environment. However, it can be prone to measurement error caused by perception and anchoring biases. Perception biases occur when underlying understanding, capacity, or incentives lead to answers that deviate from those that an omniscient and objective observer would provide to the same question. Anchoring biases occur when firms do not have full knowledge of the range of possibilities reflected in the answer options. For instance, a firm based in mountainous Lao Cai may rate the province highly on economic incentives for climate mitigation without knowing about the more fulsome range of incentives available to firms in Hai Phong, leading it to provide a more positive answer about such incentives than an objective observer.

Administrative data, collected by government agencies, is less prone to perception biases but is often limited to highly specific measures and does not always capture abstract or hidden concepts such as transparency or corruption. To address these problems, the PGI relies primarily on survey data but takes two precautions to minimize perception and anchoring biases. First, as much as possible, indicators are selected based on firms' actual experiences with a policy to minimize opinion-based answers. For instance, firms were asked whether they had directly received guidance from provincial officials about environmental regulation rather than being asked about their opinions about regulatory guidance in the province generally. Second, when available, survey data in each subindex is combined with administrative data to connect the respondents' perceptions to measurable information. However, to ensure that firms' voices receive precedence, the PGI weights survey data more heavily (60 percent) than administrative data (40 percent) in each subindex.

Because of the multifaceted nature of green private sector development and the associated complexity in valuing the relative socio-political and economic importance of each of these four dimensions, each subindex is equally weighted. The four subindices are listed below, ranging from the most traditional and well-established provincial government activities to the newest and most aspirational.

- **Pollution & Disaster Resilience.** This subindex involves the basic provision of infrastructure and public services, which is a traditional duty of government in Vietnam. With increasing adverse weather events, as well as with the dramatic expansion of the private sector, these responsibilities have increased substantially in recent years as provinces are expected to provide infrastructure services in ways that help firms prepare for and limit the impacts of climate hazards, such as floods, tropical cyclones, sea level rise, and droughts. The index attempts to reflect the provincial responsibilities for disaster resilience and climate mitigation that are delineated in the 2020 LEP and the recently revised Decree 15/2025/ND-CP.

- Regulatory Standards.** This subindex relates to the effectiveness of the government's regulatory oversight and enforcement in limiting the environmental damage of business operations. This is not a new area of activity for provincial governments, though it dates back only to the advent of the formal domestic private sector in the early 1990s. Naturally, these responsibilities grew substantially with the rapid expansion of the formal private sector since the Second Enterprise Law came into effect in 2000. Pressure for greater effectiveness in this area has grown with the publicization of industrial accidents. The National Strategy on Environmental Protection gave provincial administrations greater authority to monitor the use of water resources, fisheries, and forest projects, while the National Plan on Air Quality required all provinces to submit air quality management and monitoring plans to reduce the dangerous health and safety consequences of air pollution. Decree 45/2022/ND-CP²⁵ outlines the penalties for specific polluting acts such as intentionally dumping, illegally discharging, and discharging untreated waste into the environment.
- Leadership & Assistance.** This evaluates the potential for provincial governments to incorporate environmental goals into their broader responsibilities for general policy making, procurement of goods and services, and regulatory guidance to assist firms in greening their operations and behaviors. The legal framework outlined above includes the LEP, national strategies, and numerous implementing documents, which are inchoate, underdeveloped, and can be highly technical. Many small businesses need help understanding their responsibilities and opportunities under the law. A clear role for provincial governments is necessary to help businesses pursue strategies that model good environmental behavior. Local officials can advise firms about operational decisions that could make them leaders in energy efficiency or the use of more sustainable energies.
- Environmental incentives and support services by provincial governments.** This refers to government policies encouraging private firms to engage in behavior and environmental decision-making above and beyond the minimum conduct mandated by Vietnamese law or international standards. For example, a government-supported supply of services, such as consulting on procedures relating to environmentally beneficial investments or training for workers needed to support such investments, would fill current voids in private markets, enabling firms to engage in these green behaviors and decisions. A legal framework exists for these types of subsidies and market interventions to promote green activities. The LEP 2020 includes regulations on green credit and green bonds, while Decree No. 08/2022/ND-CP provides detailed

25 The Government of Vietnam. (2025). Decree No. 05/2025/ND-CP: "Revision of Decree 08/22/ND-CP on regulations regarding sanctions for administrative violations in environmental protection".

regulations on the roadmap and incentive mechanisms for allocating them. The Green Growth plan goes even further, although specific details of the financial mechanisms and tax credits are still being developed.

Table 2.8 provides a brief snapshot of the PGI methodological process. Column 1 lists the four subindices summarized above. Column 2 tallies the theoretical dimensions of each subindex. For example, subindex 1 includes three dimensions capturing provincial efforts to combat pollution (dimension 1), mitigate climate disasters (dimension 2), and measure daily waste collection (dimension 3). Column 3 records the total number of indicators derived from the PCI and PCI-FDI surveys, while column 4 displays the number of administrative indicators collected from the Ministry of Finance budget data and the General Statistical Office (GSO). The last column reveals the weight of each subindex in the final PGI.

Table 2.8. Summary of Indices and Indicators in PGI

Subindex	Dimensions	Survey Indicators (Weight = 60 percent)	Administrative Indicators (Weight = 40 percent)	Weight in Final PGI (percent)
1. Pollution & Disaster Resilience	3	12	1	25
2. Regulatory Standards	4	10	2	25
3. Leadership & Assistance	3	9	1	25
4. Incentives & Support Services	3	5	1	25





Chapter

03

The Foreign Investment Survey

3.1. Introduction

In 2024, Vietnam's foreign direct investment (FDI) landscape remained resilient amid global economic challenges. According to the Ministry of Planning and Investment, the country attracted a total registered FDI capital of approximately \$38.23 billion, maintaining a comparable level to the previous year. Of this, newly registered capital reached \$19.7 billion, down 7.6 percent year-on-year, while additional investment into existing projects grew by 50.4 percent — a sharp rebound following declines in 2022–2023. These figures highlight sustained commitment by foreign investors to not only enter but also expand their operations in Vietnam.

Processing and manufacturing remained the dominant sectors, accounting for almost 70 percent of total newly registered capital, followed by real estate and electricity production and distribution (Bộ Kế hoạch và Đầu tư, 2025). In terms of investor origins, Singapore retained its position as the largest source of new FDI, contributing 10.21 billion USD (26.7 percent of total registered capital). It was followed closely by South Korea, which contributes 18.5 percent. The People's Republic of China (PRC), Hong Kong, and Japan are the next largest investors in 2024 (Trần, 2025).

Three important developments shaped the FDI environment in 2024. First, Vietnam's steady macroeconomic stability — with inflation kept below four percent and favorable monetary conditions — enhanced its attractiveness relative to regional competitors. Second, Vietnam's expanded bilateral and multilateral trade agreements, including the implementation of the CPTPP and RCEP agreements, provided wider market access for foreign investors (Nguyễn, 2024; Đỗ, 2024). Third, intensified global supply chain shifts — driven by rising production costs in China, ongoing U.S.-China tensions, and companies' diversification strategies — continued to redirect high-tech and manufacturing investments toward Vietnam, especially into northern industrial provinces such as Bac Ninh, Bac Giang, Thai Nguyen, Hai Phong, Quang Ninh, etc. (Bùi, 2024).

Against this backdrop, the remainder of the chapter analyzes key trends among FIEs, including investment expansion, employment growth, and profitability. It examines shifts in customer and supplier relationships, the evolving size and sectoral profiles of foreign firms, and variations in business confidence across provinces. The chapter also reviews regulatory burdens, customs procedures, and inspection practices, highlighting both areas of improvement and emerging challenges. Together, these findings provide a comprehensive view of Vietnam's evolving FDI environment in 2024.

3.2. FIEs in 2024

3.2.1. Performance

Table 3.1 presents a detailed overview of the performance of foreign firms in recent years. In 2024, there was a marked improvement in the share of firms planning to increase investment, rising sharply to 40.0 percent from 30.3 percent in 2023. This rebound suggests a renewed optimism among foreign investors after two consecutive years of cautious expansion.

In contrast, employment dynamics softened somewhat. The percentage of firms adding employees fell from 59.9 percent in 2023 to 49.5 percent in 2024, indicating a cooling labor market and potentially a shift toward more capital intensive sectors such as semiconductors and electronic components (Yến Anh, 2024).

Profitability continued to improve modestly. In 2024, 48.7 percent of firms reported profits, up from 46.5 percent the previous year. This improvement in profitability was accompanied by a significant decline in reported losses: only 22.0 percent of firms reported losses in 2024, a dramatic improvement compared to 42.3 percent in 2023 and the peak of 51.3 percent in 2021. The steep drop in loss-making firms signals a healthier post-pandemic recovery, coupled with more favorable operating conditions for many foreign investors.

Table 3.1. Performance of Foreign Firms Over Time

Year	Firms Increasing Investment*	Firm Adding Employees	Firms Reporting Profits	Firms Reporting Losses
2014	51.4	62.4	57.9	34.2
2015	51.0	62.4	55.1	37.6
2016	49.2	63.3	59.0	33.4
2017	47.6	62.4	54.3	37.9
2018	45.9	58.2	53.1	36.7
2019	45.4	61.6	56.2	34.3
2020	43.5	55.0	42.6	47.1
2021	35.4	50.6	42.1	51.3
2022	30.0	55.8	42.8	44.9
2023	30.3	59.9	46.5	42.3
2024	40.0	49.5	48.7	22.0

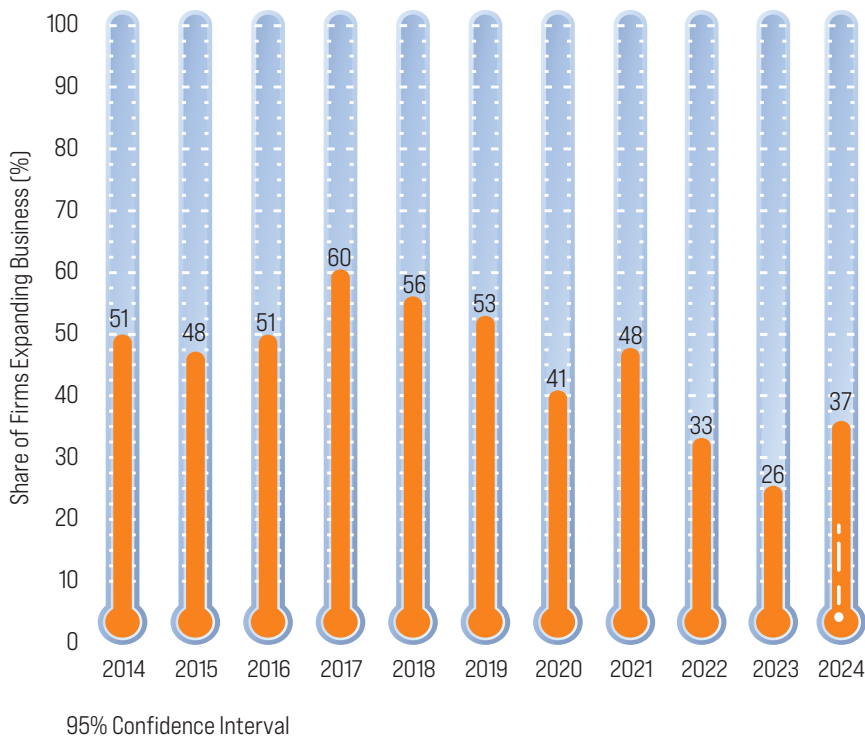
Source: PCI-FDI survey 2024, Question A6 “What was the total employment size of your firm?”, Question A7 “What was the total equity capital of your firm?”, and Question A9 “Which statement best characterizes your firm’s overall performance?”

*: For all years, the share of firms that increased their investment is recalculated by comparing the survey year with the establishment year to ensure consistency. In previous reports, it was calculated by comparing the survey year with the previous year. In addition, starting with this year’s report, to present the analysis results in the most consistent manner, we will use 10-year and 5-year milestones before the current year as the data points for the charts that follow.

The PCI-FDI Business Thermometer reveals a notable uptick in business confidence among foreign-invested enterprises in 2024. The share of firms planning to expand their operations rose to 37 percent, up sharply from 26 percent in 2023 — the lowest point recorded since the survey began.

As illustrated in **Figure 3.1**, this year's recovery, while encouraging, still leaves expansion expectations below the pre-pandemic period, when figures consistently hovered above 45 percent between 2014 and 2019. Although the turnaround in 2024 marks a break from the steady decline seen since 2020 and hints at a cautious revival in investor optimism, the results should be interpreted with caution. Since the survey's completion in December 2024, developments such as changes in U.S. tariff policies and other unexpected events may have altered business decisions and investment plans.

Figure 3.1. PCI-FDI Business Thermometer Over Time

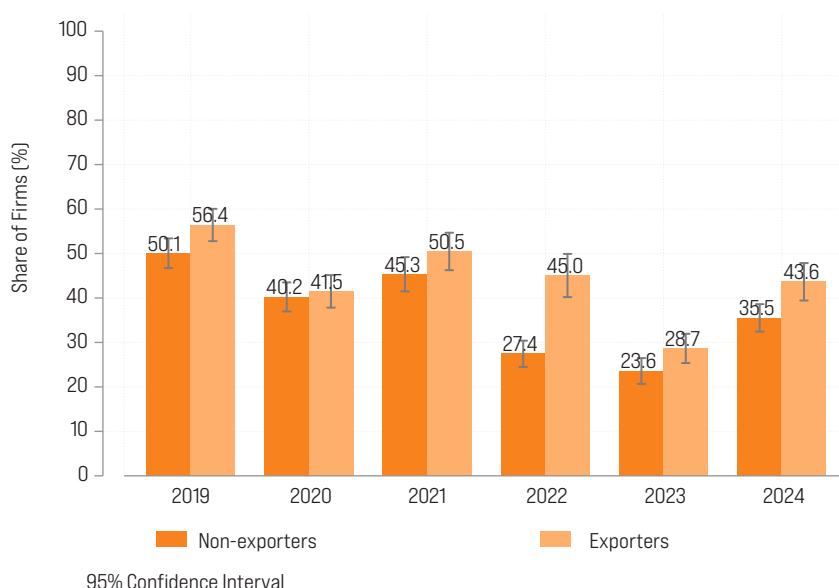


Source: PCI-FDI survey 2024, Question A.10 "Which statement best characterizes your firm's investment plans over the next 2 years?"

Figure 3.2 highlights evolving trends in business confidence among exporting and non-exporting foreign firms. After one year of subdued sentiment, both groups showed signs of recovery in 2024. Notably, 43.6 percent of exporters now anticipate expanding their operations, compared to 35.5 percent of non-exporters. Both figures represent a marked improvement from 2023, when only 28.7 percent of exporters and 23.6 percent of non-exporters expected expansion. While exporters continue to express greater optimism than non-exporters — a pattern consistent since 2019 — the gap between the two groups has narrowed in recent years compared to 2022.

The resurgence likely reflects a modest easing of global trade disruptions in 2024 following a turbulent period marked by geopolitical tensions and supply chain volatility. Despite the rebound, expansion expectations for both exporters and non-exporters remain below the highs seen in 2019 and 2021. In addition, given recent upheavals in the global economy and the arrival of a full-fledged trade war between major economies, exporters' optimism could take a hit again in 2025.

Figure 3.2. PCI-FDI Business Thermometer, by Exporter Status



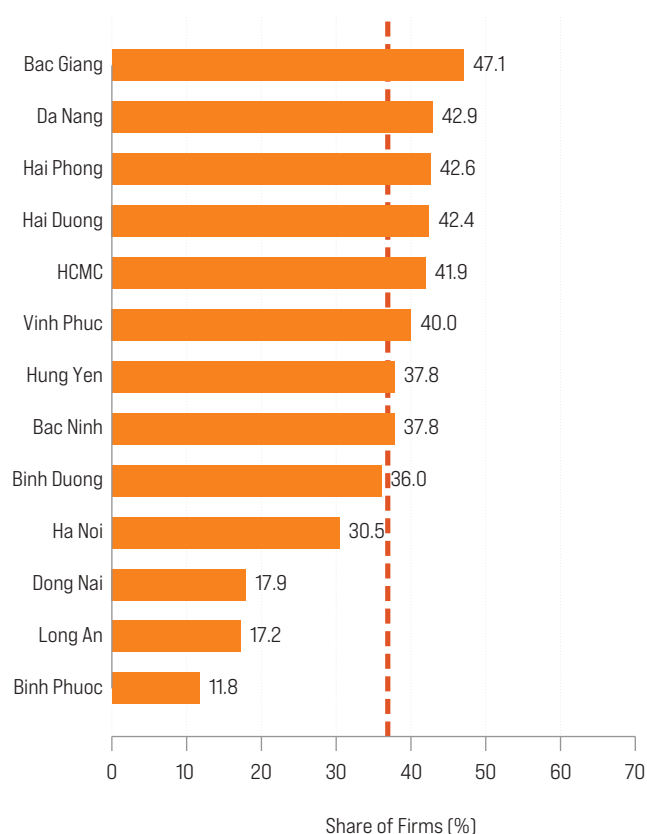
Source: PCI-FDI survey 2024, Question A.10 “Which statement best characterizes your firm’s investment plans over the next 2 years?”

Figure 3.3 shows the distribution of business confidence among provinces in 2024, focusing on provinces with more than 30 responses to the PGI-FDI survey. The leading province, Bac Giang, recorded 47.1 percent of foreign-invested enterprises (FIEs) planning to expand their operations, followed closely by Da Nang (42.9 percent), Hai Phong (42.6 percent), and Hai Duong (42.4 percent). Ho Chi Minh City also remained competitive, with 41.9 percent of firms expecting growth.

This clustering of expansion plans across several provinces suggests that FIEs are spreading investment more evenly across key industrial and urban areas, rather than concentrating heavily in a few standout locations. Northern industrial provinces like Bac Giang and Hai Duong have solidified their roles as major manufacturing hubs, supported by improved infrastructure and access to supply chains. Meanwhile, Da Nang and Hai Phong continue to leverage their advantages as coastal cities with strong logistics networks.

Other regions include Vinh Phuc (40.0 percent), Hung Yen and Bac Ninh (both at 37.8 percent), Binh Duong (36.0 percent) and Ha Noi (30.5 percent), indicating steady, though slightly more cautious, optimism compared to the top-performing provinces. In contrast, provinces like Dong Nai (17.9 percent), Long An (17.2 percent), and Binh Phuoc (11.8 percent) show relatively low expansion expectations. These lower rates could signal growing challenges such as labor shortages or greater competition from emerging industrial zones elsewhere.

Figure 3.3. PCI-FDI Business Thermometer, by Province



Source: PCI-FDI survey 2024, Question A.10 "Which statement best characterizes your firm's investment plans over the next 2 years?" The dashed line represents the national average (37 percent).

3.2.2. Characteristics

Table 3.2 tracks the size distribution of FDI respondents over time by employment and equity. The 2024 data show a continued shift toward larger foreign-invested enterprises, although some of the patterns seen last year have evolved.

On the employment side, the share of very small firms—those employing fewer than 10 people—declined further to 17.5 percent in 2024, down from 21.8 percent in 2023. This reinforces the trend toward larger operational scales among FIEs. Meanwhile, firms employing between 51 and 100 workers increased noticeably, rising from 12.9 percent to 18.6 percent, suggesting growth in mid-sized operations. However, the share of very large firms (501–1000 employees and above 1000) declined slightly compared to last year, signaling some stabilization after the surge observed in 2023.

Table 3.2. Size of Foreign Firms Over Time

Employment Size: Percent of firms with employment of:								
	Less than 10	11 to 50	51 to 100	101 to 200	201 to 300	301 to 500	501 to 1000	Above 1000
2022	25.8	31.6	15.4	11.5	5.2	3.7	3.0	3.9
2023	21.8	29.2	12.9	11.9	6.3	5.5	6.0	6.5
2024	17.5	31.7	18.6	12.0	8.0	5.0	3.6	3.5
Equity Size: Percent of firms reporting equity of:								
	Under \$150,000	\$150,001–\$500,000	\$500,001–\$2.5 million	\$2.5 million–\$5 million	\$5 million–\$10 million	\$10 million–\$15 million	\$15 million–\$25 million	More than \$25 million
	(3 BVND)	3 to under 10 BVND	(10 to under 50 BVND)	(50 to under 100 BVND)	(100 to under 200 BVND)	(200 to under 300 BVND)	(300 to under 500 BVND)	(500 BVND and over)
2022	22.5	23.9	13.3	14.9	8.1	7.3	5.4	4.5
2023	18.8	20.2	12.7	15.0	10.7	9.4	6.9	6.2
2024	14.6	25.1	16.7	16.8	11.3	7.1	4.5	3.8

Source: PCI-FDI survey 2024, Question A6 “What was the total employment size of your firm?” and Question A7 “What was the total equity capital of your firm?”

Equity size patterns present a largely similar picture. The smallest firms, with equity under \$150,000, continued to shrink as a share of respondents, falling to 14.6 percent in 2024. At the same time, there was an uptick in the middle ranges: firms with equity between \$500,001 and \$5 million grew from 27.7 percent (in 2023, combining two categories) to 33.5 percent in

2024. However, the share of the largest firms — those with equity above \$25 million — dipped slightly to 3.8 percent, the lowest level in three years.

Figure 3.4. Sectoral Composition of FIEs



Source: The PCI-FDI sample by Vietnam industrial classification. "M" indicates sub-sectors within the manufacturing sector.

In 2024, the PCI-FDI survey continues to show a strong concentration of foreign-invested firms in the wholesale and retail sector, reaffirming its dominance as the leading sector over the past decade. The resilience of this sector highlights the enduring strength of Vietnam's domestic market, as well as its role as a regional trade and distribution hub. With Vietnam's retail market projected to grow to \$350 billion by 2025, the sector remains a major magnet for foreign capital, particularly from investors in Thailand, Japan, and South Korea [Thanh Ha - Thao Huong, 2025].

As shown in **Figure 3.4**, professional services have further solidified their position as the second most common sector for PGI-FDI respondents in 2024. This trend reflects a shift toward a more knowledge-driven economy, with rising demand for specialized services such as consulting and legal advisory, even though these firms tend to operate at a smaller

scale than large manufacturing projects. The rise of professional services suggests that foreign investors are not only participating in Vietnam's manufacturing growth but are also capitalizing on its expanding service economy.

Meanwhile, information and communication and computers/electronics manufacturing continue to occupy important shares. These sectors' consistent prominence underscores Vietnam's growing role as a regional technology and electronics production hub, despite ongoing challenges in the global tech supply chain. While traditional manufacturing sectors like garments remain important, their relative share has slightly declined compared to earlier years. This signals the combined impact of external market pressures — including softer global demand — and Vietnam's gradual movement up the value chain toward higher-value-added industries.

Table 3.3 provides a detailed look at the evolving customer base of foreign-invested enterprises in Vietnam. In 2024, a striking pattern emerged: sales to state-affiliated entities surged dramatically. The share of FIEs reporting sales to state-owned enterprises (SOEs) jumped to 18.0 percent, and those selling to government agencies climbed even higher to 13.7 percent — both significant increases compared to 2023. Sales to private Vietnamese individuals also soared, reaching 38.6 percent, up from 23.0 percent in 2023. Sales to Vietnamese private enterprises continued to strengthen, with 55.0 percent of firms reporting sales to local businesses — the highest rate recorded in the past decade. Similarly, sales to foreign individuals in Vietnam rose significantly to 32.1 percent. This surge reflects strong domestic consumption growth, particularly among middle-class consumers, and possibly the success of FIEs' strategies to broaden their reach in the local retail and service markets.

However, one notable contrast is in exports: the share of FIEs that report exporting declined to 36.5 percent, a sharp drop from 51.8 percent in 2023. This could reflect a cooling of global demand, ongoing geopolitical tensions affecting trade flows, or a strategic shift by FIEs toward serving the domestic Vietnamese market. Future PCI reports will demonstrate whether this is a long-term trend or just an anomaly in this year's sample. Altogether, the 2024 data signal a more domestically anchored FDI sector — with FIEs increasingly tapping into Vietnam's internal growth engines, even as external export markets face greater volatility.

Table 3.3. Customers of FIEs (percent with at least one customer)

Year	Sales to Vietnamese State		Sales to Private Vietnamese			Sales to Foreigners in Vietnam			Exports
	SOEs	Agency	Individual	Both	Enterprise	Individual	Both	Enterprise	
2014	12.9	5.2	N.A	39.2	N.A	N.A	46.1	N.A	53.0
2015	13.6	4.1	N.A	40.2	N.A	N.A	51.6	N.A	55.4
2016	11.9	4.8	18.3	N.A	41.1	13.3	N.A	53.1	56.2
2017	10.7	4.3	18.3	N.A	41.0	11.6	N.A	56.0	47.3
2018	5.3	2.5	14.1	N.A	33.9	7.2	N.A	53.5	42.3
2019	8.4	3.5	16.9	N.A	40.7	10.4	N.A	57.1	45.4
2020	9.2	3.4	21.7	N.A	42.4	10.2	N.A	53.2	44.7
2021	5.2	1.9	13.1	N.A	32.8	7.2	N.A	48.4	45.8
2022	6.0	1.7	12.1	N.A	33.6	7.0	N.A	45.0	40.9
2023	7.4	3.3	23.0	N.A	46.3	13.5	N.A	55.0	51.8
2024	18.0	13.7	38.6	N.A	55.0	32.1	N.A	49.6	36.5

Source: PCI-FDI survey 2024, Question A11 “Who are your customers?” (N.A.: Not applicable)

In 2024, Vietnamese suppliers further strengthened their role in the supply chains of foreign firms (**Table 3.4**). Although the share of FIEs sourcing from private firms dipped slightly to 67.4 percent (from 75.0 percent in 2023), it remains significantly higher than the pre-2022 levels, confirming the increasing importance of domestic enterprises as key intermediate goods and services providers.

The share of FIEs sourcing from household businesses rose sharply again, reaching 29.5 percent in 2024 — a strong increase from 23.4 percent in 2023 and more than double the level recorded in 2022. This growing reliance on smaller, more flexible suppliers reflects efforts by local authorities and industrial zones to connect multinational corporations with domestic supporting industries, as part of broader strategies to deepen Vietnam’s supply chain linkages.

Table 3.4. Suppliers of FIEs (percent with at least one vendor)

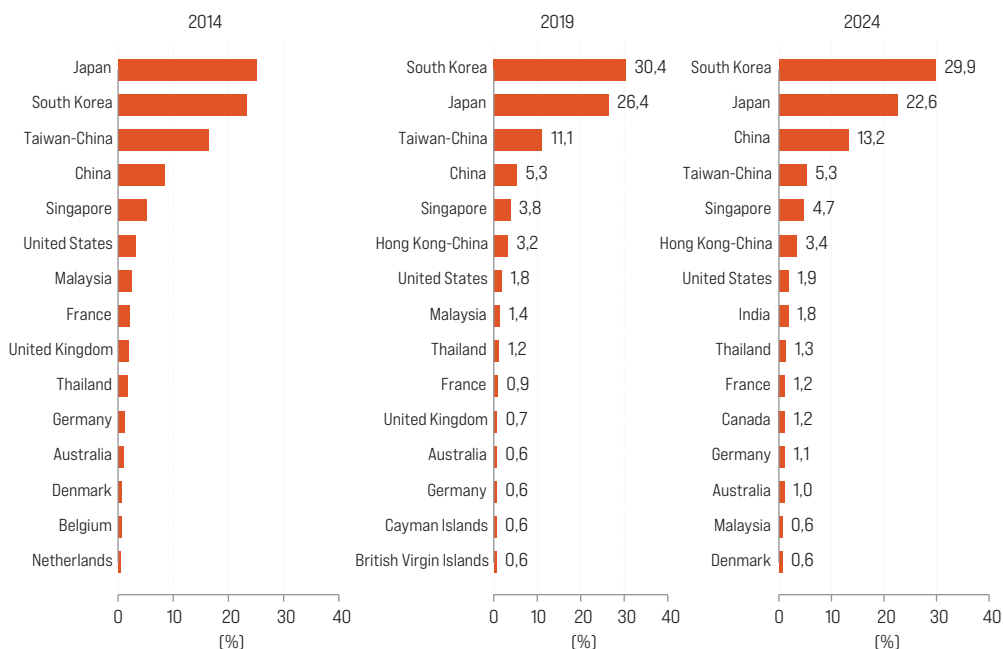
Year	State Owned Enterprise	Private Firm	Household Business	In-House	Home Country Businesses	Third Party	Foreign Buyer*	MNCs*
2014	11.5	62.6	15.9	8.3	55.5	34.8	N.A	N.A
2015	11.9	68.9	19.3	8.5	58.0	38.3	N.A	N.A
2016	12.1	68.5	18.4	9.9	58.7	39.0	N.A	N.A
2017	10.0	62.5	16.1	6.9	49.2	26.6	N.A	N.A
2018	6.8	60.2	15.0	5.7	47.1	22.8	N.A	N.A
2019	10.1	66.0	17.1	7.3	44.3	24.8	N.A	N.A
2020	8.2	62.5	14.8	7.5	41.4	26.8	N.A	N.A
2021	6.9	52.4	9.9	4.9	38.3	22.6	5.8	5.0
2022	5.7	63.3	13.4	5.5	30.5	16.0	12.5	6.4
2023	10.0	75.0	23.4	14.3	45.4	26.2	16.4	10.6
2024	18.2	67.4	29.5	31.4	45.3	22.4	15.9	12.4

Source: PCI-FDI survey 2024, Question A13 "Who are your suppliers of intermediate goods and services?"

* supplier category introduced in 2021 (N.A.: Not applicable)

One of the most striking developments in 2024 is the surge in in-house sourcing: 31.4 percent of FIEs now report producing inputs internally, more than doubling the share from 14.3 percent last year. This sharp rise suggests that many foreign firms are internalizing more of their operations, possibly as a strategy to manage supply chain risks, secure quality control, or respond to geopolitical pressures such as U.S.-China trade tensions. At the same time, the share of FIEs purchasing from home country businesses (45.3 percent) and third-party intermediaries (22.4 percent) remained relatively stable.

Overall, the 2024 data suggest that while Vietnam's domestic supply base is growing stronger, FIEs are simultaneously diversifying sourcing strategies, blending local integration with greater in-house production and strategic international linkages.

Figure 3.5. FIEs' Countries of Origin

Source: PCI-FDI survey 2023, Question A4.1. Background information "If your firm is operating in the foreign direct investment sector, which country is the headquarter of your firm's mother company or your largest foreign shareholder is located?"

Figure 3.5 offers a snapshot of the evolving composition of foreign-invested enterprises in Vietnam by country of origin. In 2024, South Korea continues to dominate as the leading source of FIEs, accounting for 29.9 percent – a slight increase from 28.8 percent in 2023. Japan remains the second largest contributor, making up 22.6 percent of foreign firms, reflecting its long-standing and stable investment relationship with Vietnam.

A notable shift in 2024 is the position of the People's Republic of China (PRC), which has further strengthened its presence. Chinese FIEs now account for 13.2 percent of the PGI-FDI sample, consolidating the steady rise observed over the past several years. In 2024, new Chinese investment into Vietnam amounted to 4.7 billion USD, ranking third among the largest foreign investors (Đình Đại, 2025). This continued growth may reflect both geographic proximity and the strategic relocation of manufacturing capacity outside China due to rising labor costs and global supply chain diversification efforts.

Other key players such as Taiwan, Singapore, and Hong Kong have maintained relatively stable shares compared to previous years. Meanwhile, investment shares from Western countries – including the United States, France, Germany, and others – remain modest, each contributing less than two percent of the total.

3.2.3. Regulatory Burden

Table 3.5 highlights evolving trends in the regulatory environment faced by FIEs in Vietnam. In 2024, the share of firms reporting that senior management spent over five percent of their time dealing with bureaucratic procedures held relatively steady at 49.2 percent, only slightly down from 50.2 percent in 2023. While this represents a substantial improvement compared to the pre-pandemic highs (over 70 percent in 2014–2017), the figures suggest that administrative compliance remains a significant concern for many FIEs.

The median number of inspections reported by firms dropped to zero in 2024, the lowest level recorded since the survey began. This marks a clear continuation of the downward trend in inspection frequency since 2021 and points toward more streamlined regulatory oversight. Notably, harassment cases — defined as firms experiencing four or more inspections per year — fell sharply to just 3.1 percent in 2024, down from 6.6 percent in 2023.

Table 3.5. Post-Entry Regulations for FIEs

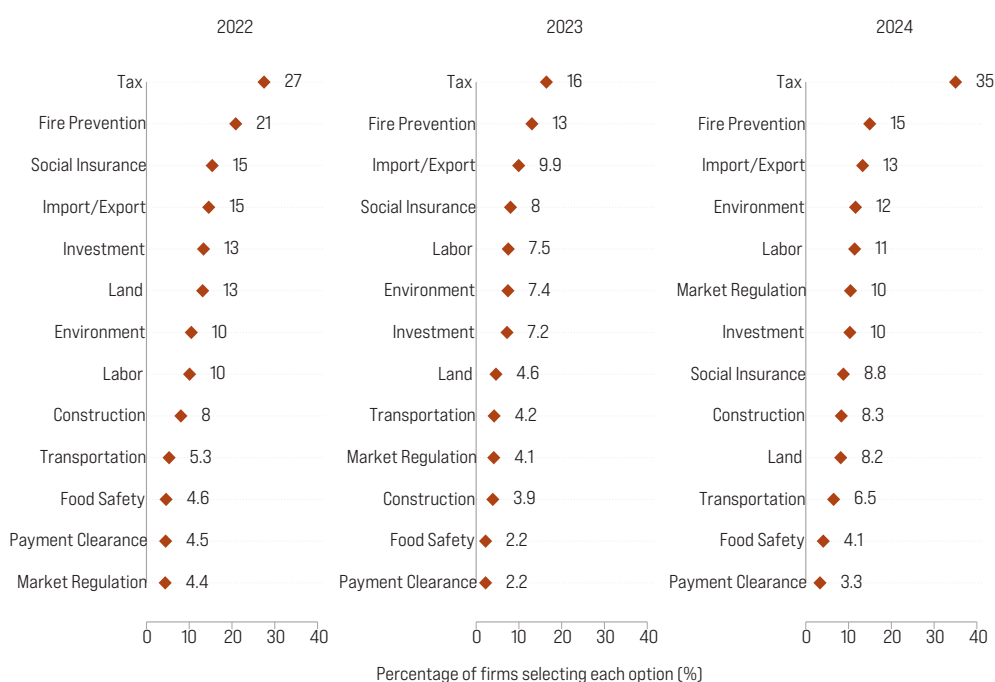
Year	Over 5 Percent of Time Spent on Bureaucratic Procedures	Inspections (Median)	Harassment (4+ Inspections)	Days for Exports to Clear Customs (Median)	Days for Imports to Clear Customs (Median)
2014	70.2	2.0	25.9	1.0	2.0
2015	69.8	2.0	20.7	1.0	2.0
2016	71.9	2.0	33.5	1.0	2.0
2017	66.2	2.0	24.5	1.0	2.0
2018	42.6	2.0	16.3	2.0	2.0
2019	41.3	2.0	15.7	2.0	2.0
2020	32.9	1.0	11.0	1.0	2.0
2021	60.6	0.0	4.7	2.0	3.0
2022	49.3	1.0	5.3	2.0	2.0
2023	50.2	1.0	6.6	1.0	2.0
2024	49.2	0.0	3.1	2.0	2.0

Source: PCI-FDI survey 2024, Question D1.1 “What percentage of senior management’s time was spent to understand and comply with administrative procedures over the past year?”, Question D2.6 “How many total times was your business inspected and examined in the last year?”, Question I5.1 “On average, how long does it take to clear customs for your exported goods?”, and Question I5.2 “If you import goods, on average, how long does it take you to clear customs?”

In terms of customs clearance times, the median number of days required for export procedures increased slightly to 2 days in 2024 (up from 1 day in 2023), while the time for import clearance remained stable at 2 days. Although the slight rise in export clearance time suggests room for procedural enhancements, overall customs efficiency has remained largely consistent since 2018.

Taken together, the 2024 data suggest that while Vietnam has made significant strides in reducing regulatory burdens and inspection-related harassment for FIEs, ongoing efforts to streamline administrative procedures and improve customs efficiency will be key to sustaining investor confidence.

Figure 3.6. Burdensome Administrative Procedures



Source: PCI-FDI survey 2024, Question D1.2 "From your experience in the province, please indicate troublesome administrative procedures."

Figure 3.6 tracks foreign-invested enterprises' perceptions of the most troublesome regulatory procedures in Vietnam. The 2024 results show some stability but also highlight new emerging challenges.

Tax procedures continue to top the list of concerns, with 35 percent of firms identifying tax-related issues as the most troublesome — a sharp increase from 16 percent in 2023 and a major reversal of the downward trend observed in previous years. This trend could reflect

intensified efforts by the authorities in 2024 to crack down on transfer pricing. Vietnamese authorities have intensified tax audits of FDI enterprises, particularly focusing on firms that report consecutive losses while still expanding investment, and are considering additional legal reforms to tighten the framework for detecting and penalizing transfer pricing behavior (Đinh, 2025). Fire prevention remains the second most cited concern, with 15 percent of firms reporting issues, slightly up from 13 percent last year. Although this figure is still lower than the 21 percent peak recorded in 2022, it indicates persistent difficulties with fire safety compliance procedures for FIEs.

Meanwhile, concerns over social insurance, environmental regulations, and land management remained relatively stable in 2024, with each category cited by about 8 to 12 percent of firms. These figures represent only minor changes compared to 2023 and suggest that previous reforms in these areas may have held steady.

Overall, the 2024 data suggest that while broad improvements in regulatory efficiency have been maintained, rising concerns about tax compliance stand out as a key area needing renewed policy attention.

3.3. Conclusions

The year 2024 has been a year of cautious recovery and strategic repositioning for foreign-invested enterprises in Vietnam. While global headwinds — including slowing trade, geopolitical uncertainty, and tighter financial conditions — have weighed on investment flows worldwide, Vietnam has continued to demonstrate resilience. Although total FDI inflows moderated compared to the previous year's surge, key indicators from the PCI-FDI survey show steady improvement: investment plans have rebounded, profitability has strengthened, and business confidence, while still below pre-pandemic peaks, has clearly recovered from historic lows.

One particularly encouraging sign is the growing domestic orientation of FIEs. Foreign firms have increasingly shifted their focus toward the Vietnamese market, deepening linkages with local customers and suppliers, even as exports softened. Meanwhile, provinces such as Bac Giang, Da Nang, Hai Phong, and Hai Duong have emerged as rising stars in attracting foreign investors, challenging traditional industrial hubs such as Ho Chi Minh City and Binh Duong.

In terms of the regulatory environment, progress has been mixed. Inspection-related harassment and bureaucratic burdens have continued to decline, confirming the impact of recent reforms. However, concerns about tax procedures have sharply increased in 2024,

highlighting the need for renewed focus on transparency, simplicity, and predictability in tax administration. Customs clearance times have remained stable, suggesting that recent gains in trade facilitation have been largely preserved.

From a strategic perspective, Vietnam's success in attracting foreign investment continues to be driven by East Asian partners — particularly South Korea, Japan, and China — who collectively account for the majority of new FIEs. However, expanding investment from a more diverse set of countries, including the United States and Europe, remains an opportunity yet to be fully realized.

This chapter also highlights critical priorities for policymakers. As Vietnam seeks to move up the global value chain, greater efforts are needed to modernize the tax system, streamline fire prevention and other regulatory procedures, and build stronger institutional support for local supply chain development. Additionally, investing in workforce quality — particularly technical and supervisory skills — will be crucial as Vietnam shifts from competing primarily on low labor costs toward offering higher-value opportunities for investors.

With global supply chains undergoing profound realignments, Vietnam remains well positioned to capture a larger share of future investment. Maintaining this momentum, however, will require a renewed commitment to significant regulatory reforms, infrastructure modernization, and human capital development.

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