



2022 World Economic and Political Review

Global Instability

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



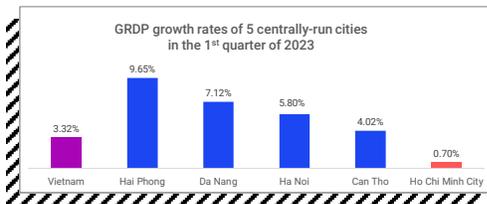
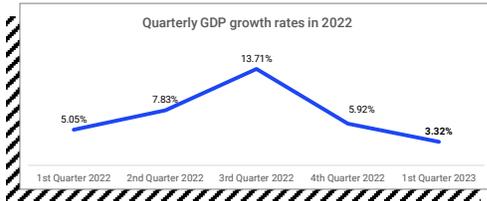




**THE WORLD IN
2022**



Facing Challenges



Declining Exports

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



Risks from Real Estate and Bond Markets

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



Limited Access to Credit

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



Slow Public Investment Disbursement

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



More Firms Ceasing Operations

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

PCI 2022

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



Business Performance

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



Provincial Economic Governance

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



Challenges Faced by Firms

Main challenges faced by domestic and foreign firms



Overtime Trends

6 features in provincial economic governance over time



Business Confidence

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



New Pathway Forward

Environmentally sustainable economic development

Approach

Nationwide Survey on Sampled Firms



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



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



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



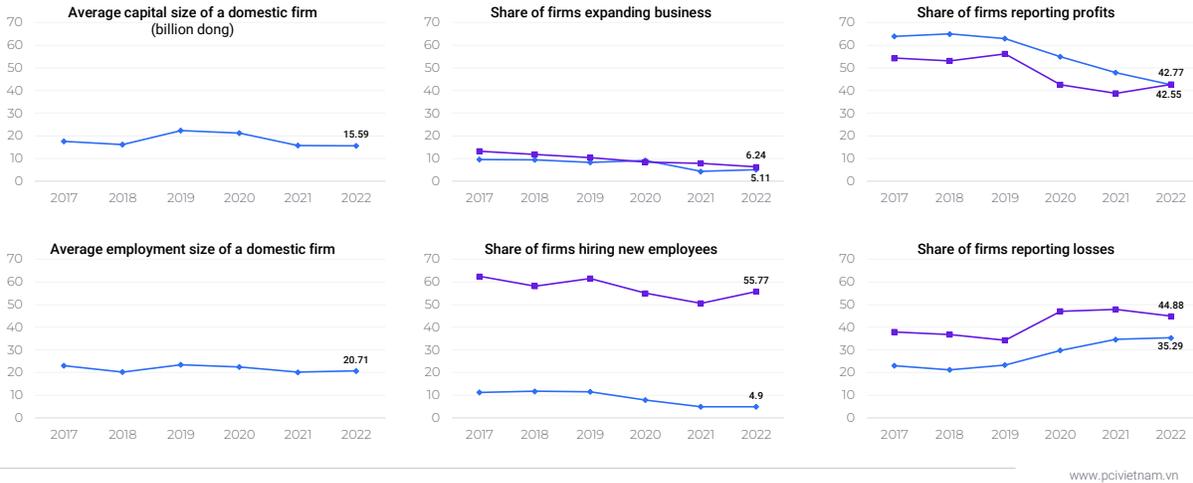
Business Performance

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

Business Performance

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

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



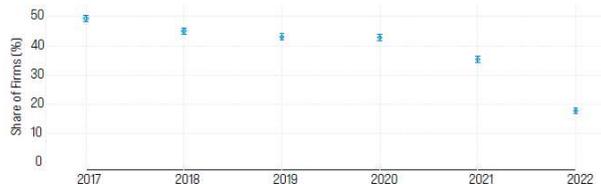
Challenges Faced by Firms

Domestic Firms Struggled to Access Credit

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



The proportion of firms having bank loans tends to decrease



79% could not get loans without collateral

56% reported bank staff commonly sought bribes

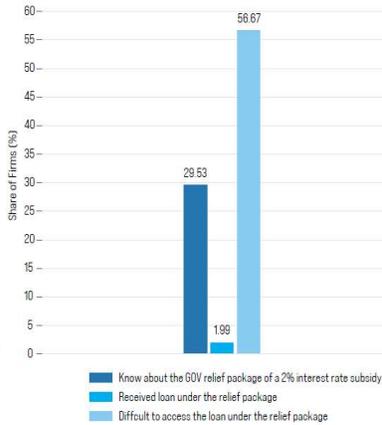
59% reported lending procedures troublesome and reported being imposed unfavorable credit conditions

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

Challenges Faced by Firms

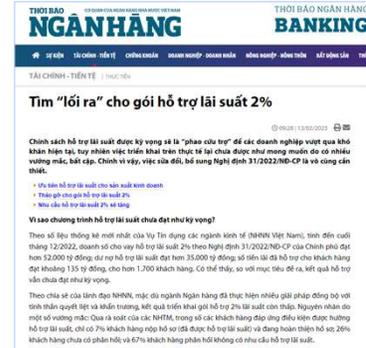
The Majority of Firms Reported Difficulties in Access to the 2% Interest Rate Relief Package

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



75%
reported lending procedures were difficult to meet

12%
reported the procedural process was not transparent

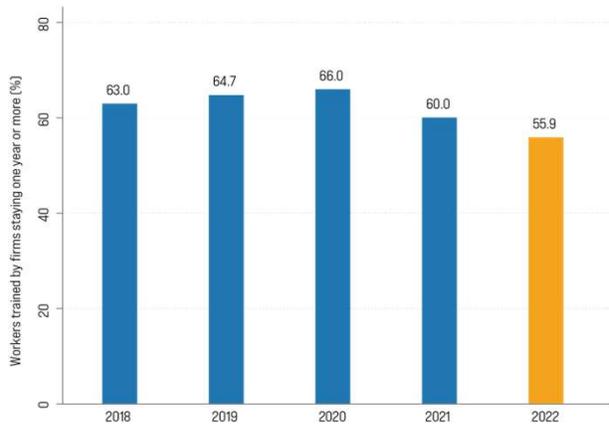
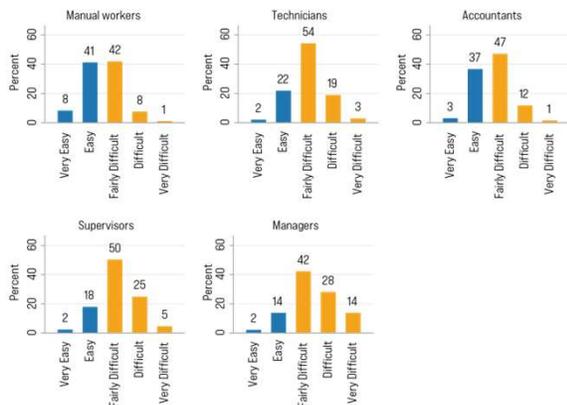


Challenges Faced by Firms

Foreign Firms Faced Difficulty Recruiting and Retaining Employees

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

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



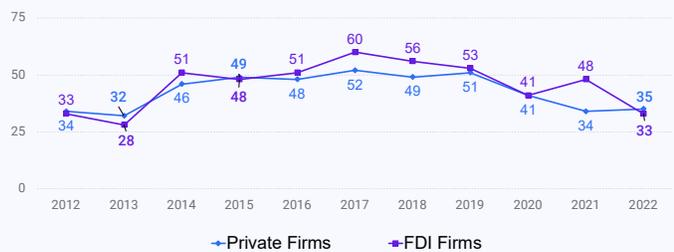


2022 Business Thermometer

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

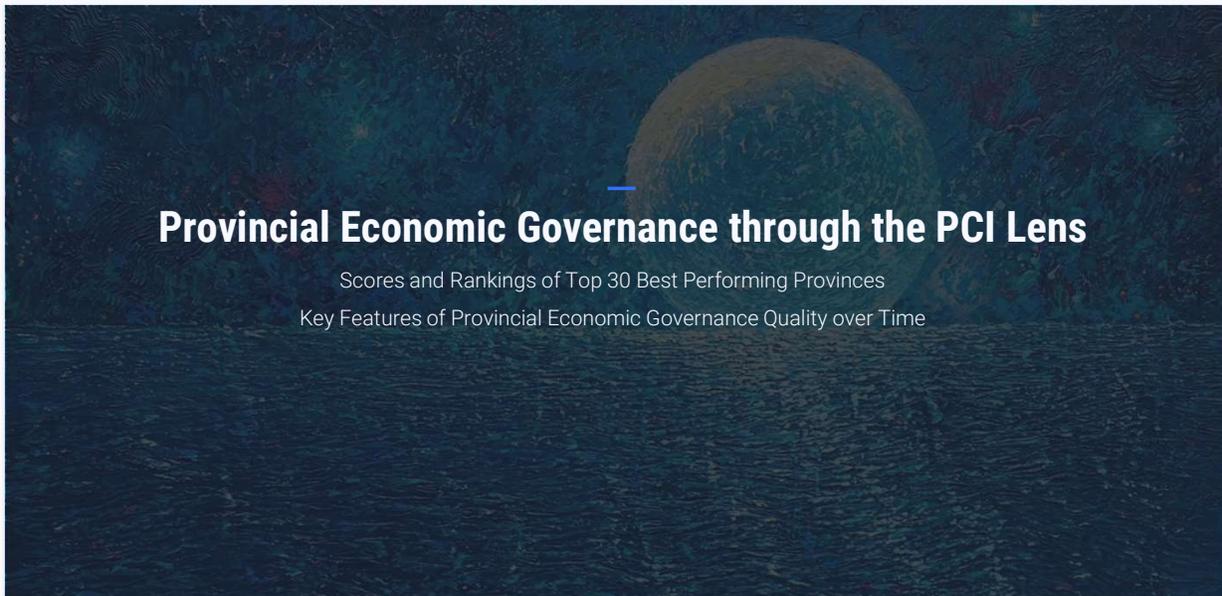
Only 35% of domestic firms and 33% of foreign firms
 were optimistic about expanding the size of their
 operations over the next two years.

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



Provincial Economic Governance through the PCI Lens

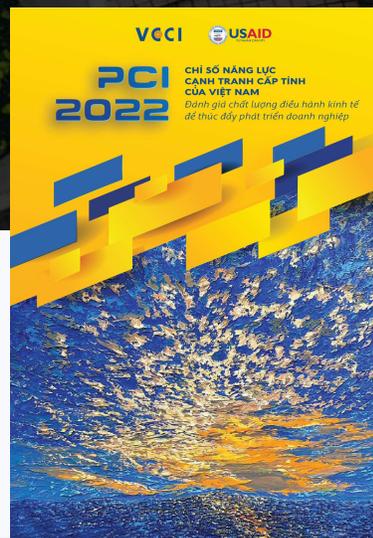
Scores and Rankings of Top 30 Best Performing Provinces
 Key Features of Provincial Economic Governance Quality over Time



PCI Principles

Realistic – Specific – Measurable – Actionable

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



Focus on economic governance

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



Quantify governance quality

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



Base on best practices

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



Trigger action

Indicators results trigger specific and targeted provincial action.

10 PCI Subindices

Measurable and Comparable among Vietnam's 63 Provinces and Cities

ENTRY COSTS

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

POLICY BIAS

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

LAND ACCESS

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

PROACTIVITY OF PROVINCIAL LEADERSHIP

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

TRANSPARENCY AND ACCESS TO INFORMATION

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

BUSINESS SUPPORT POLICY

Assesses quality of provincial business support policies and services.

TIME COSTS

Evaluates how much time firms waste on bureaucratic compliance

LABOR AND TRAINING

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

INFORMAL CHARGES

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

LAW AND ORDER

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

Weight Adjustment

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

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



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

PCI 2022

Top 30 Best Performers

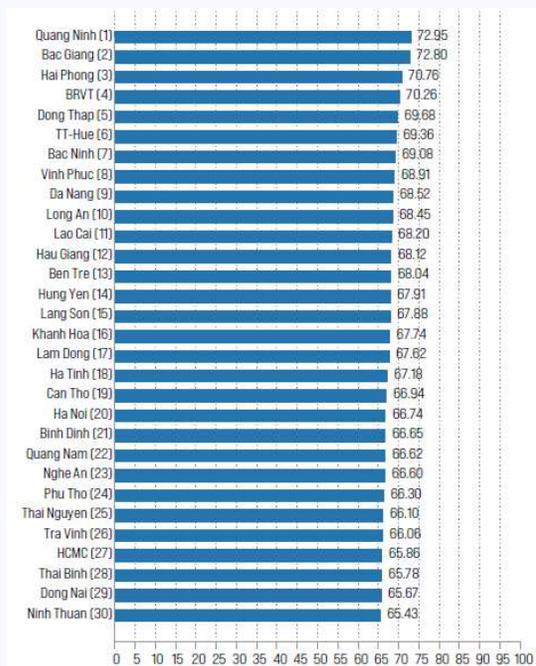
Quang Ninh tops PCI ranking for the sixth year in a row with a score of 72.95 points (on a scale of 100 points).

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



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

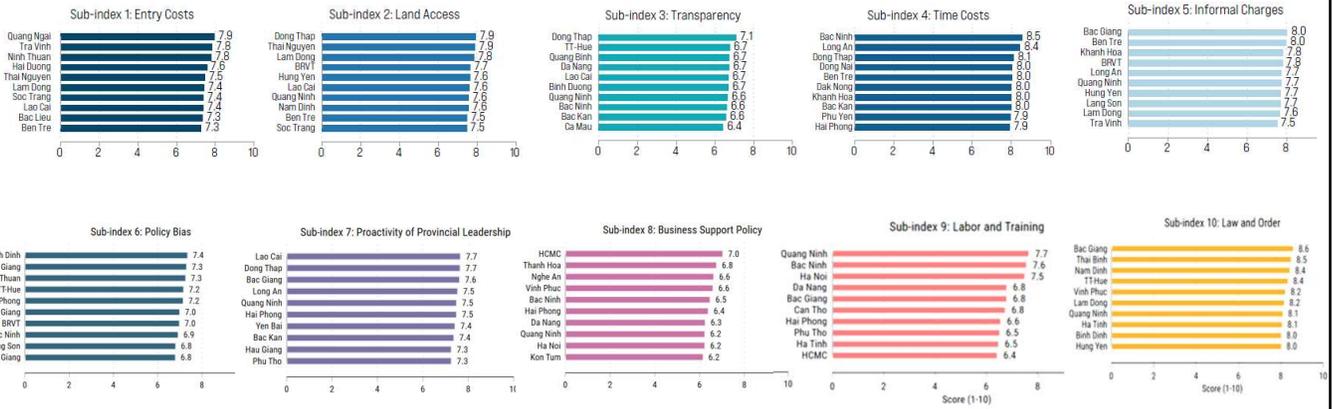
Top 30 PCI 2022



www.pci.vietnam.vn

Top 10 Performers in Each PCI Subindex

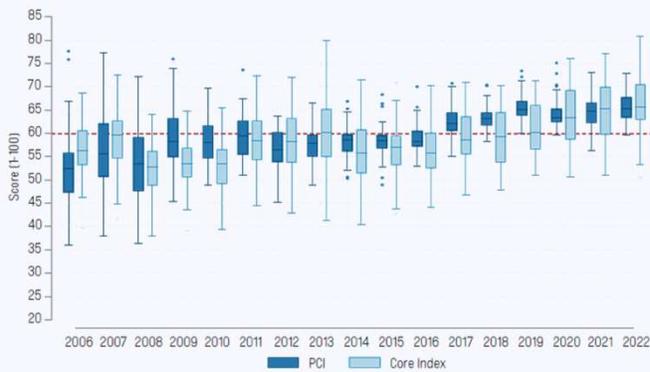
Scale of 1 – 10 points



Feature #1

Provincial Economic Governance Improves over Time

Core PCI scores and aggregate PCI scores from 2006 to 2022



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

Aggregate PCI
65.22

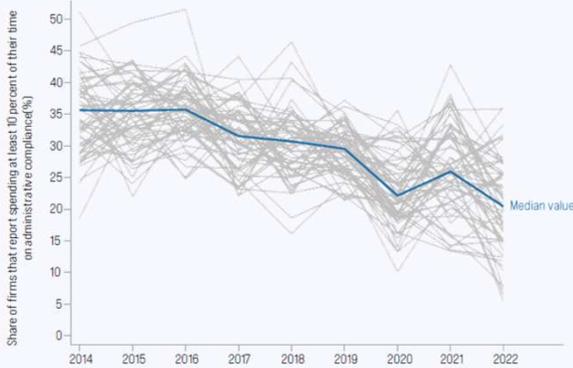
Core PCI
65.67

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

Feature #2

Continued Improvement in the Handling of Administrative Procedures over Time

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



Gray lines depict trajectories of all 63 provinces. The solid blue line represents the median score in each year.

49.3%

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



89%

Found that officials were effective



82%

Paid fewer visits to agencies to complete administrative procedures



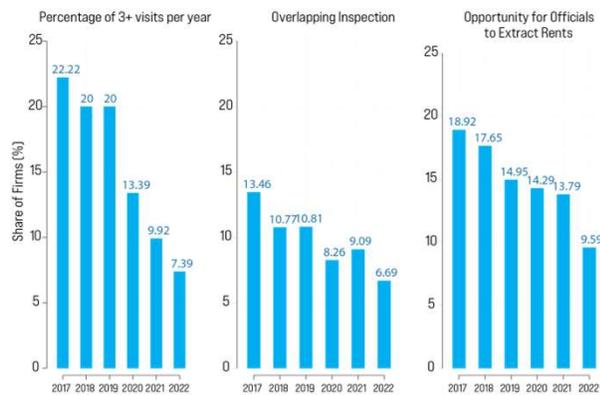
81%

Found that paperwork was simple

Feature #2

Inspection and Examination Procedures are Less Burdensome

Firms' rating of inspection and examination



Note: The values shown here are calculated values at the median province.

1

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

7.4 %

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

1

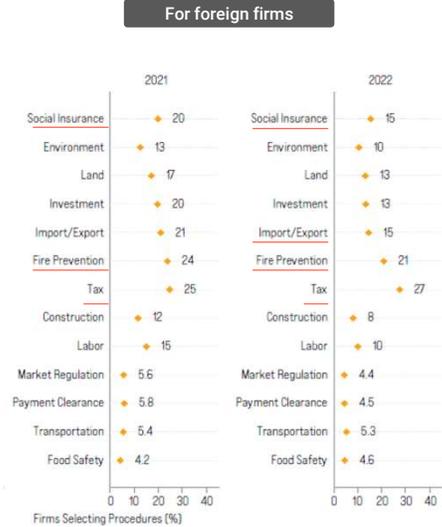
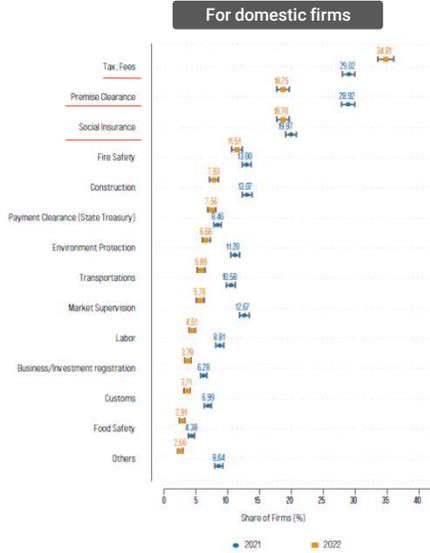
Number of times foreign firms were inspected and examined last year (median value)

5.3 %

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

Feature #2

Administrative Procedures in Some Areas Remain Burdensome



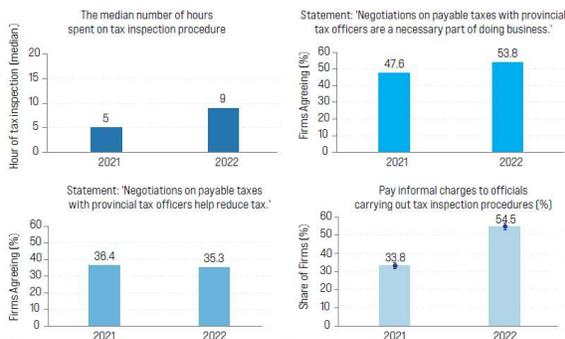
Feature #2

Troublesome Tax Procedures

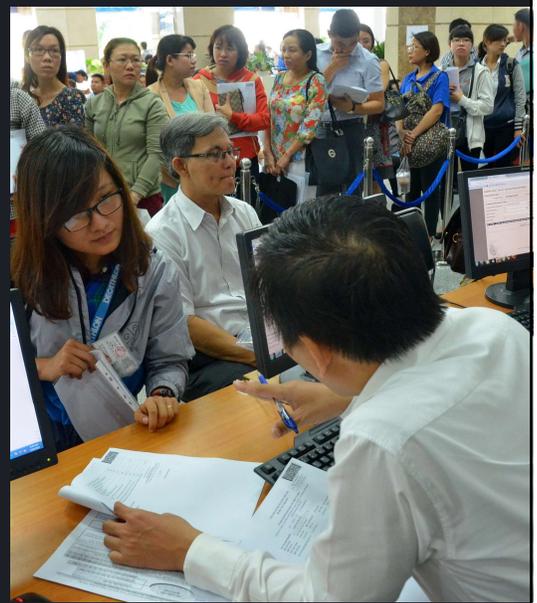
Tax finalization

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

Types of tax burden



Tax finalization

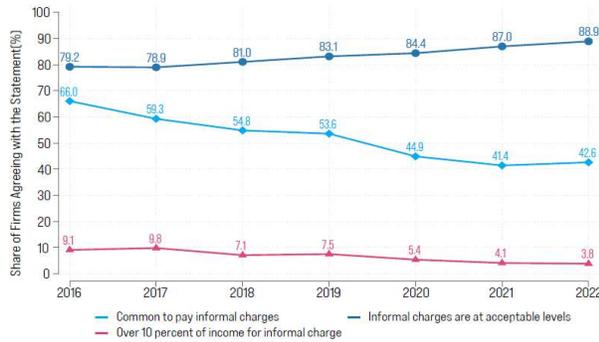


Feature #3

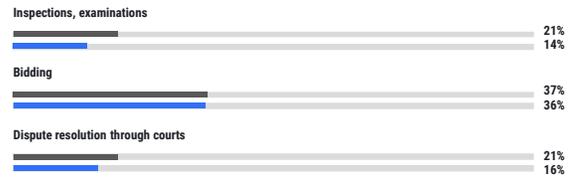


Continued Decline in the Payment of Informal Charges

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



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



For FDI firms:

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

Feature #3

Easier Access to Information

Average scores measuring the level of ease of access to documents

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



3.04

Median average score for planning documents

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

3.15

Median average score for legal documents

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

< 4

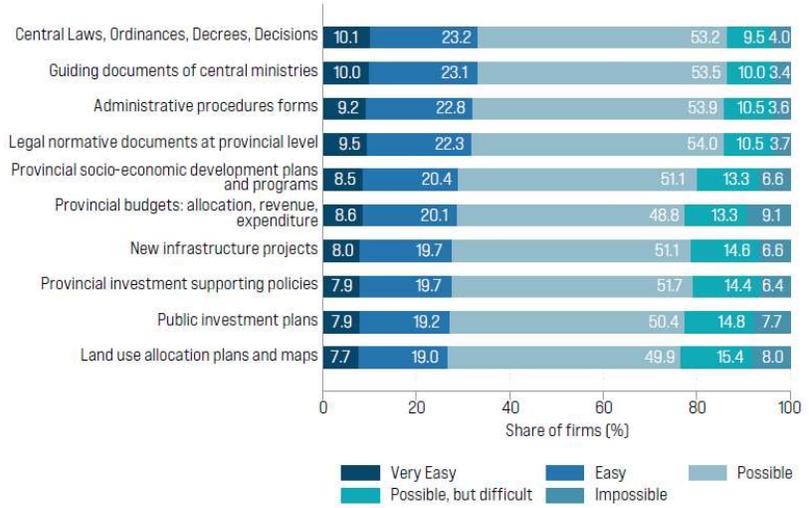
Not yet "easy"

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

Feature #4

Information Needs to be More Accessible

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



Feature #5

Policy Enforcement at Departmental and District Levels

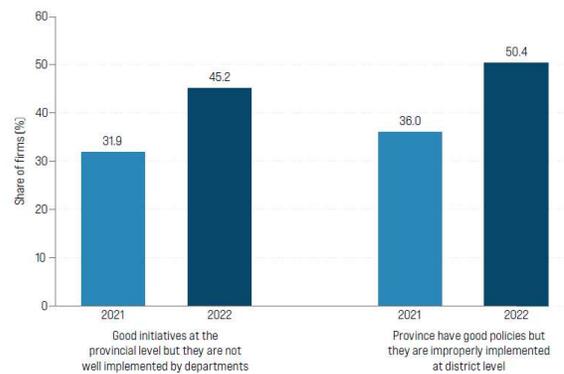
Provincial policies need to be better implemented at departmental and district levels.

45%

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

50%

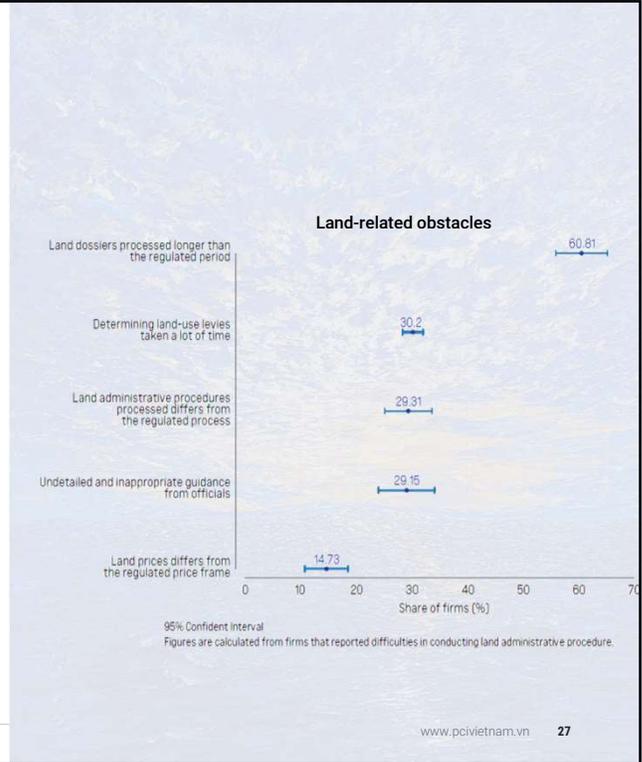
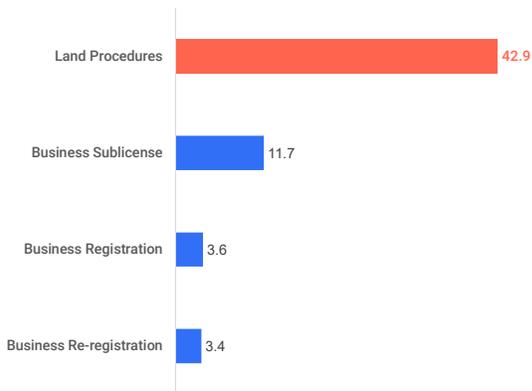
Share of firms claimed provincial policies were not properly implemented at the district level



Feature #6

Land Access Remains a Major Bottleneck

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



PCI 2022

Summary of Key Findings

Economic Governance over Time

#1

There has been improvement in economic governance quality over time.

#2

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

#3

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

#4

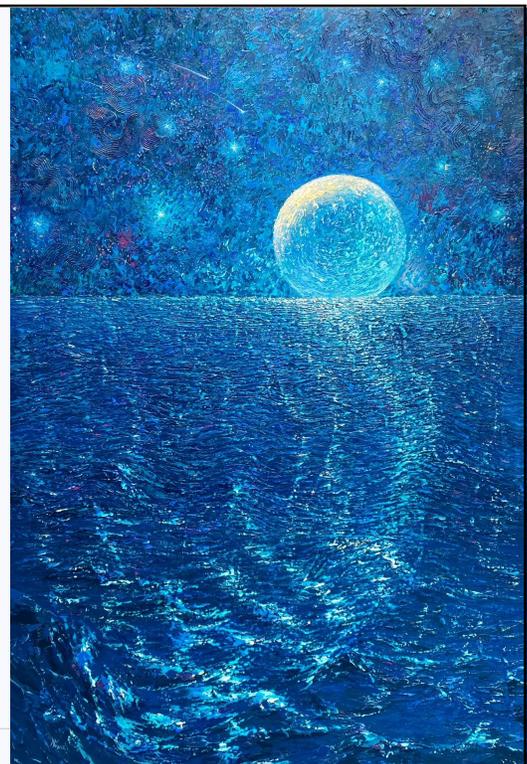
More types of information and documents are available, but businesses expect easier access to them in the future.

#5

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

#6

Access to land continues to be a bottleneck.





Provincial Green Index

PGI

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

www.pcvietnam.vn



PGI and Green Economy

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



www.pcvietnam.vn



THANK YOU!

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

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