



Improve the Business Support Policy Index in the Provincial Competitiveness Index (PCI) in Phu Tho province

Tran Thi Huong

University of Labor and Social Affairs, Hanoi, Vietnam

ABSTRACT:

The "Business Support Services" index is a key tool for measuring and evaluating economic management and operations based on activities aimed at developing the small and medium-sized enterprise sector. This includes initiatives like trade promotion, legal consulting for businesses, support in finding business partners, the development of industrial zones and clusters locally, and job placement services. The research paper about the business support policy index in Phu Tho province aims to improve this index within the overall Provincial Competitiveness Index (PCI) framework by continuing to put in place solutions to remove problems and barriers for businesses. This will make the investment and business environment much better by reducing red tape and making administrative procedures related to investment and business activities easier, encouraging digital transformation, and in

Keywords: business support service index, PCI, Phu Tho

1. Introduction

Over the years, Phu Tho province has implemented numerous proactive measures to foster a favorable environment for investors. As a result, Phu Tho has ranked quite high in the national Provincial Competitiveness Index (PCI) rankings. According to the Vietnam Chamber of Commerce and Industry, in 2022, Phu Tho placed 24th out of 63 provinces and cities nationwide, climbing 4 spots from 2021. The PCI is an index that measures and evaluates the quality of economic governance, the ease and friendliness of the business environment, and the administrative reform efforts of local governments; it represents the business community's collective voice on the business climate across provinces and cities. From a rank of 53rd out of 63 in 2010, Phu Tho made a significant leap to 35th place in 2015 (an increase of 5.9 points and 18 ranks compared to 2010). The period from 2016 to 2020 saw further progress in improving the province's competitiveness index (in 2020, Phu Tho's PCI ranked 22nd out of 63, with an increase of 6.15 points and 13 ranks compared to 2015). The total PCI score for Phu Tho in 2022 reached 66.3 points, placing it fourth in the Northern Mountainous Region and 24th out of the 63 provinces and cities (a decrease of four ranks from 2021); among these, the sub-index that saw the most significant drop was enterprise support policy, decreasing by 1.23 points. Several indicators within the index experienced notable declines, such as intentions to continue using legal consulting services and intentions to use trade promotion services, financial accounting training services, or technology-related services. This indicates that not many small and medium-sized enterprises have benefited from these services or policies or are even aware of them. The reason is that many businesses, especially small ones, have not accessed information about official enterprise support channels from state agencies. Most managers and businesses lack complete and accurate information about available services on the market. The connection between business associations and enterprises is still not strong enough to introduce information about service providers to the business community. Addressing these shortcomings, the author has researched content on enhancing enterprise support indices for Phu Tho province in 2023.

2. Theoretical Foundations

Provincial Competitiveness Index

The Provincial Competitiveness Index, known as PCI, is designed to assess the business environment, economic governance quality, and administrative reform efforts of provincial governments in Vietnam. It doesn't just focus on analyzing businesses' perceptions of economic management quality; the annual PCI study also surveys foreign-invested enterprises (FDI) operating in Vietnam, evaluating their confidence in business prospects, ranking the quality of local infrastructure, and conducting thematic research on a trend or policy that significantly impacts business activities nationwide.

The PCI is the fruit of a collaborative research effort between the Vietnam Chamber of Commerce and Industry (VCCI) and the United States Agency for International Development, initiated in 2005. A system of component indices with varying sub-indicators that reflect various areas and aspects directly affecting business operations and are subject to influence from authorities at all levels determines the PCI. Each component indices has a specific weight.

The PCI index measures the economic governance quality of provincial governments across 10 critical areas essential for the development of enterprises in the private sector. Accordingly, a locality is considered to have good governance if it has: 1) Low market entry costs (5%); 2) Easy access to land and stable land use (5%); 3) A transparent business environment with publicly available information (20%); 4) Low informal costs (10%); 5) Quick inspections, regulatory compliance, and administrative procedures (5%); 6) An equitable competitive environment; 7) A proactive and innovative provincial government in solving business issues (5%); 8) High-quality business support services (5%); 9) Effective labor training policies (20%); and 10) Fair, efficient dispute resolution processes with maintained law and order (5%).

Business Support Policy Index

Business Support Services Index (20%): This component index evaluates business support services—services that are crucial for a company's success in its operations. It assesses these services across three main dimensions: the prevalence of the service (whether businesses use the service in the province), the level of engagement from private providers, and the quality of service (based on anticipated criteria, for future use of the service). The six service groups include: market information search services; legal advisory services; and support services for market research; legal consulting services; business support services Partner search assistance; trade promotion services; services related to business matchmaking. Services related to technology include training in accounting, finance, and business management. Business administration training.

3. Current status of enterprise support policy indices in Phu Tho province.

3.1 Support policies for enterprises in Phu Tho province.

To aid and develop businesses, particularly small and medium-sized enterprises and women-owned businesses, the People's Committee of Phu Tho province has implemented several support programs and policies, such as:

Plan No. 4362/KH-UBND dated September 24, 2019, by the People's Committee outlines the deployment of Decree No. 55/2019/ND-CP dated June 24, 2019, by the Government on legal support for small and medium-sized enterprises (SMEs). Key objectives include the timely and coordinated implementation of the decree's provisions within the province to enable SMEs to promptly access and fully grasp the basic content of current legal regulations and apply them in their production and business activities. The plan aims to fundamentally shift awareness, consciousness, and adherence to legal practices among businesses, minimizing legal risks and complications. It also seeks to enhance state management effectiveness over SMEs, bolstering the capabilities of agencies, organizations, and individuals engaged in providing legal support to SMEs in the province.

The People's Committee's plan number 3636/KH-UBND, dated August 19, 2020, for the year 2021, aims to roll out the Law on Support for Small and Medium Enterprises (SMEs) in Phu Tho Province, along with government decrees to accelerate development and enhance the competitive capacity of SMEs in the region. It's all about creating a business-friendly investment climate that's fair and transparent, enabling SMEs to contribute more significantly to the province's socio-economic growth, and helping to boost its competitive edge and international integration.

Plan No. 682/KH-UBND, dated March 1, 2018, by the People's Committee, outlines the deployment of the "Supporting Women in Startups" initiative for 2018. It sets goals to enhance the responsibility of all levels of government and sectors in aiding women's entrepreneurial efforts and business development. The plan aims to improve women's understanding of the Party's directives and state laws related to career development and entrepreneurship, thereby changing perceptions, igniting entrepreneurial spirit, and unlocking women's potential and creativity. It also seeks to propel the realization of business ideas and the growth of startups, cooperatives, and individual business households.

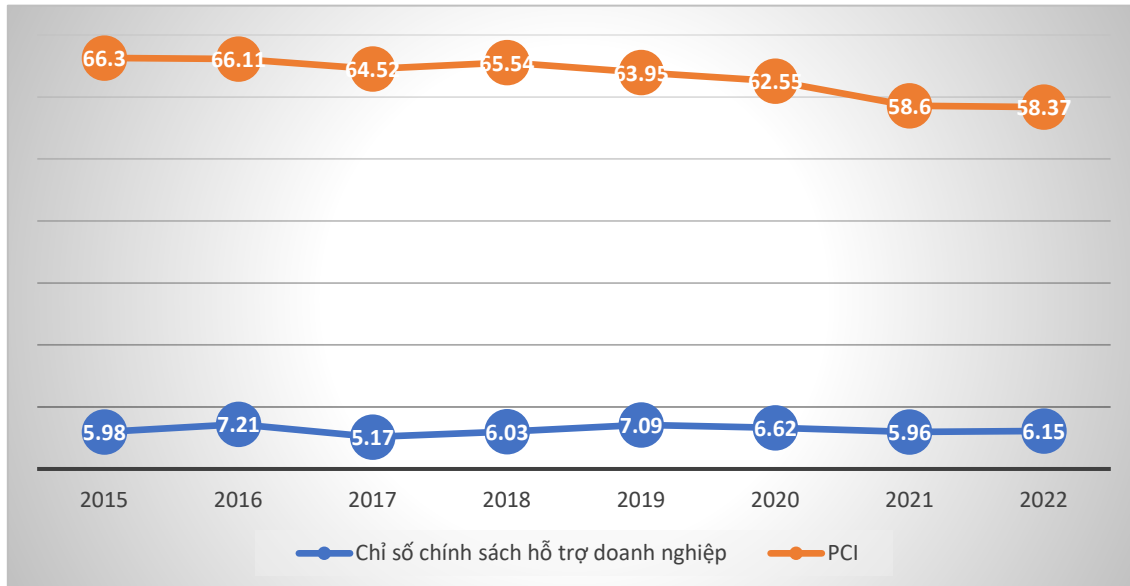
To implement the plans and goals set forth, the province has assigned various sectors to develop and deploy support solutions, encouraging businesses through multiple channels. A key focus is on providing information to businesses. The province's electronic information portal and websites have been updated to publish legal documents and administrative procedures within the jurisdiction of administrative agencies at all levels, creating sections like "Investment Promotion" and "Investment Incentive Policies" to meet the information needs and inquiries of businesses. Additionally, we're ramping up efforts to disseminate central and provincial policies that encourage and support businesses in production facilities across the region. With the deployment of the E-Government Project and the provision of online public services at levels 3 and 4, the province facilitates businesses to communicate and handle administrative procedures with government agencies 24 hours a day, 7 days a week, from any location with an internet connection. This helps minimize the time spent sending and receiving documents, reduces travel costs, and reduces paperwork for businesses. Some provincial departments have their own ways to support businesses within their functions. For example, the State Bank's provincial branch organizes conferences connecting banks with businesses to address issues and facilitate access to credit; the Social Insurance Agency annually holds conferences to disseminate information and resolve business queries regarding social insurance and health insurance; the Department of Planning and Investment intensifies advisory activities on bidding, investment evaluation, and supervision; districts, cities, and towns hold meetings and dialogues with businesses and business associations regularly to grasp the situation and promptly remove difficulties and obstacles.

As part of its management role, the Department of Industry and Trade keeps a close eye on the business activities within its jurisdiction, updating regularly to roll out initiatives aimed at resolving difficulties and bottlenecks for businesses and investors in their operations. At the same time, it ensures the successful launch of start-up programs, effectively implements advisory activities for administrative procedures, supports businesses in market connections, product distribution, and workforce training, and organizes legal assistance activities for businesses. This contributes to creating momentum for companies to continue to boost investment, production, and business in the future.

3.2 Business support policy index in Phu Tho province

The Department of Industry and Trade is primarily in charge of monitoring the 13 criteria used to evaluate business support policy index. In 2022, Phu Tho's index scored 5.98, a decrease of 1.23 points from the previous year. Despite the drop in points, the province climbed three spots in the rankings, moving from 18th to 15th place; 7 out of the 13 criteria received positive evaluations, while the remaining 6 were rated below average compared to the national median.

Figure 1. Phu Tho province's business support policy index.



Comparing the business support policy index of Phu Tho province in 2022 with that of 2021, the results show a decrease of 1.23 points in 2022 compared to the previous year. Here's the breakdown for the 13 indicators:

Score increase indicators include:: the ease of obtaining credit guarantees for SMEs (down 21%), the simplicity of procedures to receive state agency support for enhancing business capabilities (down 18%), the ease of obtaining reduced rental rates in industrial zones/clusters (down 14%), the ease of getting legal consulting fee waivers or reductions when using services from the state agency's advisory network (percentage decrease not specified), the ease of obtaining market information consulting fee waivers or reductions through the advisory network (down 11%), the simplicity of procedures for exemption or reduction of costs for state budget-funded entrepreneurship and business management training (down 1%), the ease of getting vocational training cost waivers or reductions for workers (down 3%), the percentage of businesses aware of support programs to leverage opportunities from FTAs (down 17%), and the percentage of businesses finding it convenient to carry out procedures to benefit from support programs capitalizing on FTA opportunities (down 59%).

Score reduction indicators include:: the quality of information provision related to local authorities' FTAs meeting business needs (up 5% in satisfaction), issues in implementing free trade agreement (FTA) documents effectively addressed by local authorities (up 7%), the proportion of service providers out of the total number of businesses (up 1%), and the ratio of private and foreign service providers to the total number of service providers (up 1%).

The drop in performance indicators is believed to be due to inadequate information provision regarding free trade agreements that doesn't meet business needs; the process of applying for support from programs designed to help businesses capitalize on free trade agreements is not user-friendly; and the issues in implementing documents for free trade agreements have not been effectively resolved. These are concerns that the province needs to address in the coming years to ensure businesses are effectively supported. Moreover, many companies, especially small enterprises, have not accessed information on official business support channels from state agencies. Most managers and businesses lack comprehensive and accurate information about the services available on the market. The connection between business associations and companies is not strong enough, which leads to a lack of information sharing about service providers within the business community.

Figure 2: Phu Tho Province's Business Support Policy Index for 2021-2022

	2021	2022
CSTP 8: Business support policies	7.21	5.98
Procedures for granting credit guarantees to SMEs are easy to follow (%)	93%	71%
Procedures to receive support from State agencies to enhance business capacity are easy to implement (%)	93%	75%
Procedures to receive reduced rental prices in industrial zones/clusters are easy to follow (%)	85%	71%
Procedures for exemption or reduction of legal consulting costs when using legal consulting services under the State agency's consultant network are easy to follow (%)	80%	79%
Procedures for exemption or reduction of market information consulting costs when using consulting services of the State agency's consultant network are easy to follow (%)	85%	74%
Procedures for exemption or reduction of costs for participating in training courses using state budget on business start-up and corporate governance are easy to follow (%)	77%	76%
Procedures to exempt or reduce vocational training costs for workers are easy to follow (%)	83%	79%
Quality of providing information related to FTAs by local State agencies to meet the needs of businesses (% Response)	20%	26%
Difficulties in implementing documents implementing free trade agreements (FTAs) are effectively resolved by local state agencies (%)	47%	54%
Percentage of businesses that know about programs to support businesses in taking advantage of opportunities from FTAs	33%	16%
Percentage of businesses evaluating the implementation of procedures to receive support from the program to support businesses to take advantage of opportunities from FTAs as favorable (%)	64%	6%
Ratio of service providers to total number of businesses (%)	0.87%	1.59%
Ratio of private and foreign providers to total number of service providers (%)	91%	92%

Comparing the business support policy index of 2022 between Phu Tho province and other northern mountainous provinces, the results show that Phu Tho ranks 3rd out of 14. Topping the list for the business support policy index in 2022 is Bac Giang province with a score of 6.1, while Bac Kan is at the bottom with 4.59 points.

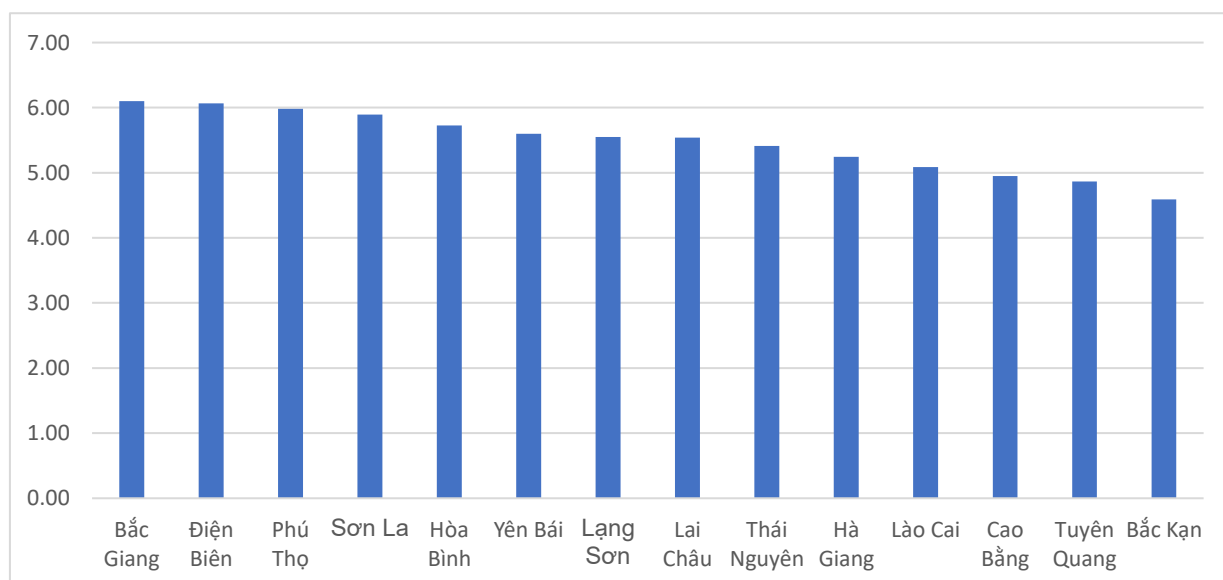
Figure 3. Business Support Policy Index of 2022 for some northern mountainous provinces of Vietnam

Table 1. Details of the Transparency Index for 2022 of some Central Coastal Provinces of Vietnam

	Bac Giang	Dien Bien	Phu Tho	Son La	Hoa Binh	Yen Bai	Lang Son	Lai Chau	Thai Nguyen	Ha Giang	Lao Cai	Cao Bang	Tuyen Quang	Bac Kan
Procedures for granting credit guarantees to SMEs are easy to follow (%)	78%	88%	71%	67%	80%	80%	69%	50%	76%	67%	73%	42%	71%	69%
Procedures to receive support from State agencies to enhance business capacity are easy to implement (%)	71%	75%	75%	78%	85%	67%	67%	77%	82%	40%	50%	38%	50%	75%
Procedures to receive reduced rental prices in industrial zones/clusters are easy to follow (%)	76%	78%	71%	82%	77%	78%	74%	80%	74%	75%	66%	69%	76%	84%
Procedures for exemption or reduction of legal consulting costs when using legal consulting services under the State agency's consultant network are easy to follow (%)	79%	75%	79%	80%	74%	80%	74%	71%	87%	82%	78%	72%	82%	81%
Procedures for exemption or reduction of market information consulting costs when using consulting services of the State agency's consultant network are	69%	74%	74%	79%	81%	75%	78%	81%	76%	78%	83%	66%	86%	82%

easy to follow (%)														
Procedures for exemption or reduction of costs for participating in training courses using state budget on business start-up and corporate governance are easy to follow (%)	76%	74%	76%	79%	74%	80%	88%	79%	78%	83%	74%	78%	81%	74%
Procedures to exempt or reduce vocational training costs for workers are easy to follow (%)	78%	82%	79%	78%	67%	68%	80%	78%	77%	71%	73%	77%	81%	74%
Quality of providing information related to FTAs by local State agencies to meet the needs of businesses (% Response)	37%	24%	26%	49%	19%	37%	40%	46%	48%	38%	38%	21%	18%	24%
Difficulties in implementing documents implementing free trade agreements (FTAs) are effectively resolved by local state agencies (%)	59%	56%	54%	52%	59%	57%	59%	44%	55%	53%	45%	59%	49%	45%
Percentage of businesses that know about programs to support businesses in taking advantage of opportunities from FTAs	13%	34%	16%	22%	7%	28%	15%	29%	48%	13%	14%	12%	15%	8%
Percentage of businesses evaluating the	0%	64%	6%	12%	0%	19%	6%	20%	3%	15%	9%	23%	27%	20%

implementation of procedures to receive support from the program to support businesses to take advantage of opportunities from FTAs as favorable (%)														
Ratio of service providers to total number of businesses (%)	2.10 %	1.46 %	1.59 %	0.75 %	0.81 %	0.81 %	1.44 %	0.74 %	0.32%	1.11 %	1.03 %	1.97 %	0.89%	0.93 %
Ratio of private and foreign providers to total number of service providers (%)	90%	80%	92%	81%	86%	75%	63%	75%	56%	69%	64%	73%	36%	14%

5. Conclusion

Phu Tho needs to implement multiple solutions to assist businesses in accessing information, leveraging incentive policies, and expanding their markets; simultaneously, it should facilitate the operations of units active in the business support services sector.

Continue to roll out solutions to alleviate difficulties and obstacles, supporting businesses by tightening discipline and enhancing the effectiveness of state management in the investment and enterprise sectors. Strengthen leadership, direction, and supervision to create favorable conditions in investment procedures, land management, construction, environment, etc.; decisively implement measures to address challenges, particularly in compensation, land clearance, resolving existing issues, and effectively assisting businesses and investors to accelerate the progress of their projects, especially key provincial projects. Improve the sense of responsibility and consciousness of public service execution; strictly control adherence to conduct rules among officials and civil servants; monitor and enhance accountability in the performance of inspection teams across all levels and sectors; officials handling land procedures, fire prevention and control, construction, and the environment must be regularly supervised, inspected, and strictly dealt with if they engage in corrupt practices or create difficulties for businesses during their service delivery.

Continue to significantly improve the investment and business environment, cut red tape, and simplify administrative procedures related to investment and business activities. Persistently implement Resolution No. 61-NQ/TU dated October 13, 2021, by the Provincial Party Executive Committee and Plan No. 5246/KH-UBND dated November 11, 2021, by the Provincial People's Committee to enhance the investment and business climate in the province for the 2021-2025 period, along with Party policies, mechanisms, and state policies. Create a favorable environment to attract investment and facilitate local enterprise development. Review and fix policies that aren't clear, overlap, or contradictory in areas like investment, land, construction, natural resources, and the environment; use your power or ask higher authorities to cut down on and simplify administrative steps and processes for things like investment licenses, land allocation, leasing, and building permits; support digital government services and apps in administrative processes. Strengthen the propaganda of mechanisms and policies supporting enterprises in the province, especially those aiding small and medium-sized businesses; actively disseminate party and state policies on enterprise development within the locality; guide, share information, and assist businesses in cooperation, linkage formation, and value chain creation to improve quality and competitiveness. Proactively guide and support enterprises in accelerating digital transformation and high-tech applications. Carry out inspections of businesses without causing duplicative oversight. Publicize land use planning and plans to facilitate investors' access to land resources and support investors in land clearance to create clean land funds for investment projects. Organize regular coordination meetings on land clearance; hold periodic dialogues between local authorities and businesses to promptly resolve difficulties; address issues raised by the business community; enhance the efficiency of public investment; and encourage private sector investment contributing to rapid and sustainable economic growth.

Driving digital transformation and fostering innovation within businesses.

Supporting training to enhance vocational skills for enterprise workers and improving the quality of human resources to meet the demands of innovation and the Industry 4.0 revolution.

References

1. PCI report for the year 2022.
2. PCI report for the year 2021.
3. People's Committee of Phu Tho Province, 2023, Plan No. 2588/KH-UBND, dated July 11, 2023.
4. https://pcivietnam.vn/bang-xep-hang?region_id=5&cpi_cat_id=PCI_Score&year=2022
5. <http://we.business.gov.vn/vi-vn/chitiet/chuong-trinh-chinh-sach-ho-tro-doanh-nghiep-nho-va-vua-doanh-nghiep-do-phu-nu-lam-chu-tai-phu-tho-1>