



Improving the Provincial Competitiveness Index (PCI) in Bac Giang Province

Pham Thi Huyen

University of Labour and Social Affairs, Hanoi, Vietnam

ABSTRACT:

Improving the Provincial Competitiveness Index (PCI) is the basis for sectors and levels to build and implement specific plans and solutions in each field of state management to improve quality. socio-economic management of the province, especially the unification of awareness and action of sectors and levels and enhancing the roles and responsibilities of heads of agencies and units towards the goal to overcome bottlenecks, promote strengths, and strive to make Bac Giang a locality with a good investment and business environment, always in the top 10 leading localities in the country and an attractive destination for investors. domestic and foreign investment.

Keywords: competitiveness index, Bac Giang

1. Introduction

The Provincial Competitiveness Index (PCI) of Vietnam's business environment is the result of a research collaboration between the Vietnam Competitiveness Enhancement Project (VNCEI) and the Vietnam Chamber of Commerce and Industry (VCCI). The PCI is designed to assess the business environment, the quality of economic management, and the administrative reform efforts of local authorities, thereby promoting the development of the domestic private economic sector.

In recent years, Bac Giang province has always focused on improving the investment and business environment, improving the efficiency of management and operation of administrative agencies at all levels in order to create the most favorable conditions for enterprises to produce and trade conveniently, effectively, and in accordance with the law, contributing to economic growth. However, in the period 2016–2020, the provincial competitiveness index in recent years has tended to decrease and has not achieved the goal of being stable in the top 10 localities with the best management quality. This reflects the fact that Bac Giang province, despite its efforts to improve the investment and business environment, the solutions put forward, the organization, and the departments, sectors, branches, people's committees of districts, cities, and related agencies and units still have many limitations, and there has been no improvement or breakthrough. Therefore, Bac Giang province needs to take specific actions to gradually improve the investment environment and competitiveness.

Therefore, the research paper on improving the competitiveness index of Bac Giang province to determine the goals, solutions, and organization to implement the improvement of PCI in Vinh Phuc province is very necessary. Improving the Provincial Competitiveness Index (PCI) is the basis for sectors and levels to develop and implement specific plans and solutions in each field of state management to improve the quality of socio-economic management of the province, especially the unification from awareness to action of sectors and levels and enhancing the role and responsibility of heads of agencies and units towards the goal of overcoming bottlenecks, promoting strengths, and striving to make Bac Giang a locality with an investment and business environment, always in the top 10 leading localities in the country, an attractive destination for domestic and foreign investors.

2. Theoretical basis

Provincial Competitiveness Index

The Provincial Competitiveness Index, abbreviated as PCI, is designed to assess the business environment, the quality of economic management, and the administrative reform efforts of the provincial and municipal governments of Vietnam. In addition to focusing on analyzing businesses' perceptions of the quality of economic management, the annual PCI study also surveys foreign-invested enterprises (FDI) operating in Vietnam, assesses business confidence in the business outlook, ranks the quality of local infrastructure, and conducts thematic research on a prominent trend or policy that has a major impact on business production and trading activities nationwide.

PCI is the result of a research collaboration between the Vietnam Chamber of Commerce and Industry (VCCI) and the United States Agency for International Development since 2005. The PCI is determined through a system of component indicators. Each component indicator has a weight and includes a number of constituent indicators, reflecting different areas and aspects of local authorities directly affecting the production and business activities of enterprises.

The PCI measures the quality of economic management by provincial governments in 10 areas that are important for the development of enterprises in the private economic sector. Accordingly, a locality is considered to have good management quality when it has: 1) Low market entry costs (5%); 2) Easy access to land and stable land use (5%); 3) Transparent business environment and public business information (20%); 4) Low informal costs (10%); 5) Fast time for inspection, inspection, and administrative regulations and procedures (5%); 6) Equal competitive environment; 7) Provincial government is proactive and creative in solving problems for businesses (5%); 8) High quality business support services (5%); 9) Good labor training policies (20%); and 10) Fair and efficient dispute resolution procedures and security and order are maintained (5%):

(1) Market entry costs (5%): Assessing the difference in market entry costs for newly established enterprises between provinces, this component indicator measures the time it takes for an enterprise to register a business, apply for land (number of days), receive all kinds of licenses, and complete all necessary procedures to conduct business activities. In addition, the index also assesses the effectiveness of the One-Stop Shop in business. Implementation of business registration through criteria such as friendly, enthusiastic staff, professional expertise, and clear instructions on procedures at the One-Stop Shop.

(2) Land Access and Land Use Stability Index (5%): This index assesses two aspects: (i) recording the difficulties in finding suitable production and business premises; these difficulties not only make businesses lose investment opportunities but also limit access to credit capital due to the lack of collateral at the bank. Accordingly, this index is calculated based on the status of enterprises with or without a Land Use Right Certificate, whether there is enough space to meet the demand for expanding the premises or not, the actual price in the localities in the relationship between the demand and the land fund of the locality, and the quality of implementation of administrative procedures for land through the criterion of the proportion of enterprises implementing administrative procedures and not encountering any difficulties. (ii) Assessing whether the policies related to land create "stability in land use" and whether businesses feel secure about their long-term land use rights. When businesses are assured of the stability of the production premises, they will be confident in investing in them in the long term.

Accordingly, this index assesses the risk of land clearance and the level of reasonable compensation in cases of land clearance.

(3) Transparency and Access to Information Index (20%): Transparency is one of the most important factors in distinguishing which business environment facilitates private sector development. The assessment of transparency must meet the following five attributes: availability of information (or the ability of businesses to access information), fairness, stability, predictability of the implementation of policies and regulations, and openness through assessing the level of popularity of the provincial information portal. Accordingly, the indicators used in this index are: easy or difficult access to planning documents and legal documents; do businesses need to rely on relationships to access documents; is it necessary to negotiate with tax officials during business operations; the role of associations in policy advocacy and consultation; and the openness of the Electronic Information Portals.

(4) Time Costs for Implementing State Regulations (5%): measures the time that businesses have to spend when implementing administrative procedures, as well as the frequency and time that businesses have to suspend business for provincial state management agencies to conduct inspections, for example, the proportion of businesses spending more than 10% of their time in a year studying and implementing state regulations; the number of annual inspections; the average time of tax audits; and the criteria for evaluating the working efficiency of civil servants in general.

(5) Informal Cost Index (10%): measures the level of informal costs that businesses have to pay as well as the obstacles caused by these costs to the business activities of enterprises. Does paying informal costs bring the expected results or "services," and do state officials use legal regulations for personal gain.

(6) Equal Competition Index: This component index assesses the competitive environment for private enterprises in the face of preferential treatment for state-owned enterprises (SOEs), foreign-invested enterprises (FDI enterprises), and enterprises familiar with provincial government officials, manifested in the form of specific privileges and preferences when accessing resources for development such as land, credit, etc., and is given priority treatment in the implementation of administrative procedures and policies.

(7) Provincial Government's Dynamism and Pioneering Index (5%): This index measures the creativity and intelligence of the provincial government in the process of implementing the Central Government's policies, in making its own initiatives to develop the private economic sector, and at the same time assessing the ability to support and apply the sometimes unclear policies of the Central Government in a direction that benefits businesses, as well as the effectiveness of the implementation of the provincial leaders' policies by the provincial departments, sectors, and districts.

(8) Business Support Services Index (20%): This component index assesses business support services—services that play a key role in helping businesses succeed in their business operations. The assessment of these services is based on three main aspects: the popularity of the service (whether businesses use it in the province), the level of participation of private providers, and the quality of the service (through the criterion of whether to use the service again in the future). The six groups of services include: market information search services; legal advisory services; business partner search support services; trade promotion services; technology-related services; accounting and finance training; and business management training.

(9) Labor Training Index (20%): This component index reflects the level and quality of vocational training and skill development activities implemented by the province to support local production and business sectors, as well as to find jobs for local workers.

(10) Legal and Security Institution Index (5%): This component index reflects the confidence of private enterprises in local legal institutions, whether businesses view these local institutions as effective tools for resolving disputes or as a place where businesses can complain about harassment by local government officials, and whether the security and order situation is maintained stably.

3. The current status of the PCI index in Bac Giang province

According to the annual PCI Index report in 2022, Bac Giang's PCI index ranked 2nd out of 63 provinces and cities with a score of 72.80 points (out of 100), only 0.15 points behind the leading province, Quang Ninh. Bac Giang has made a remarkable breakthrough, improving by 29 ranks, and this is the first year that Bac Giang has risen to the runner-up position in the national PCI rankings.

Out of the 10 component indicators of the PCI report, Bac Giang has 9 component indicators that increased in score, including "legal institutions and security and order," "equal competition," "dynamism and pioneering spirit of the provincial government," "labor training," "unofficial costs," "business support policies," "time costs," "land access," and "transparency." One component indicator that decreased in score is "market entry."

Among the component indicators that increased in score, there are two indicators that lead the country, namely "unofficial costs" and "legal institutions, security, and order." The three component indicators "dynamism and pioneering spirit of the provincial government," "legal institutions and security and order," and "equal competition" have made strong breakthroughs in both score and ranking compared to 2021.

In which, the component indicator "Dynamism and pioneering spirit of the provincial government" increased by 1.96 points, ranking 3rd out of 63 provinces and cities (an increase of 58 ranks compared to 2021); the component indicator "Legal institutions and security and order" increased by 1.61 points, ranking 1st out of 63 provinces and cities (an increase of 39 ranks compared to 2021); and the component indicator "Equal competition" increased by 1.33 points, ranking 2nd out of 63 provinces and cities (an increase of 31 ranks compared to 2021).

With the runner-up position in the 2022 PCI ranking, Bac Giang province always identifies improving the investment and business environment and raising the PCI index as a top priority, regular, and continuous task, which is an important solution to mobilize resources, promote production and business development, develop enterprises, and promote socio-economic development of the locality and the province.

On May 11, 2023, the People's Committee of Bac Giang Province issued Plan No. 21/KH-UBND on improving the Provincial Competitiveness Index (PCI) in 2023. The plan aims to maintain Bac Giang province's PCI ranking in the group of 10 leading provinces and cities in the country and continue to be among the localities with "good" economic management quality in the national rankings. Continue to fully, consistently, and effectively implement tasks and solutions to improve the investment and business environment and raise the provincial competitiveness index PCI in Resolution No. 105-NQ/TU and Plan No. 293/KH-UBND. Uphold the spirit and attitude of serving businesses and investors; constantly innovate; improve the quality of management; promote digital transformation in serving, supporting, and developing businesses; and promote the socio-economic development of the locality.

Table 1: PCI index of Bac Giang province from 2018–2022.

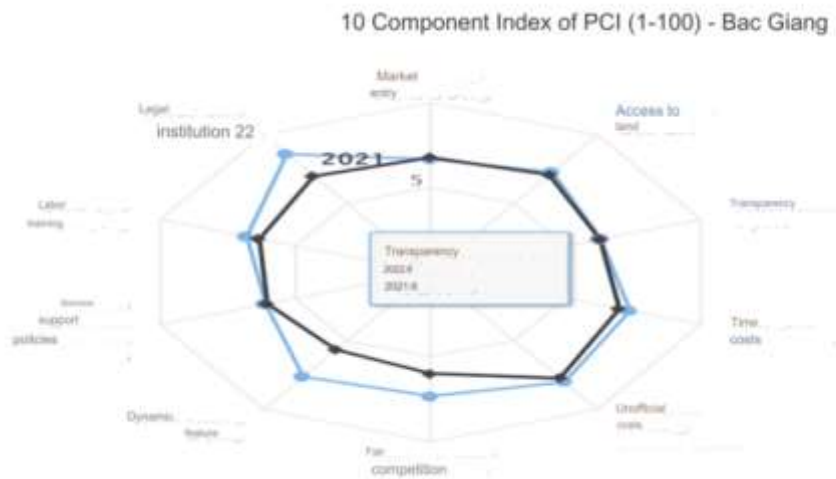
Indicator	2022	2021	2020	2019	2018
Market entry	6.65	6.76	6.99	6.78	7.34
Land access	7.29	7.09	6.30	6.84	6.66
Transparency	6.30	6.27	5.39	6.85	6.11
Time costs	7.38	6.99	8.68	6.52	7.01
Unofficial costs	8.02	7.74	6.47	6.06	6.16
Equal competition	7.31	5.98	7.89	5.45	4.88
Dynamism	7.62	5.66	6.75	6.98	5.55
Policy support for enterprises	6.10	6.04	5.82	5.43	6.44
Labor training	6.80	6.33	6.82	7.19	6.54
Legal institution	8.60	6.99	6.28	6.38	5.90
PCI	72.80	64.74	63.98	64.47	63.01
Rank	2	31	27	40	36

Source: According to the PCI report for 2022

Figure 1: PCI score over time for Bac Giang



Figure 2: 10 component indicators of PCI in Bac Giang province



4. Solutions

Implementation solutions:

Propaganda, dissemination, and effective implementation of Resolution No. 37/2020/NQ-HDND dated December 9, 2020 of the Bac Giang Provincial People's Council promulgating a number of policies to support small and medium-sized enterprises in Bac Giang province for the period 2021-2025, "Small and medium-sized enterprises implementing production investment activities in industrial parks and clusters in Bac Giang province that have infrastructure investors will be supported with 100% of the land rent (including infrastructure rental costs and infrastructure usage fees) within 03 years from the date of signing the land lease contract, with a maximum total support of VND 150 million/enterprise".

Continue to advise on the implementation of Decision No. 01/2020/QD-UBND dated January 21, 2020 on the promulgation of the unit price for land rent applicable in Bac Giang province; No. 43/2022/QD-UBND dated October 20, 2022 on amending and supplementing Clause 1, Article 4 of Decision No. 01/2020/QD-UBND dated January 21, 2020 of the Bac Giang Provincial People's Committee stipulating the unit price for land rent applicable in Bac Giang province to continue implementing preferential policies and stabilizing land rent prices in the province.

Conduct a review and synthesis of the list of infrastructure business organizations and providers of management, operation, and maintenance services for technical infrastructure of industrial parks and clusters in Bac Giang province that are subject to price declaration according to Decision No. 09/2020/QD-UBND. Based on the review list of the units, the Department of Finance synthesizes and advises the Provincial People's Committee to issue a decision on announcing the list of organizations and individuals engaged in production and business activities to register prices and declare prices in Bac Giang province as prescribed.

improve coordination and information exchange with organizations and businesses. Create conditions for organizations and businesses to participate in commenting on mechanisms and policies of the state related to the procedure for reducing land rent in industrial parks and clusters.

References

1. PCI report in 2022
2. PCI report in 2021
3. <https://bacgiang.gov.vn/>
4. <https://skhdt.bacgiang.gov.vn/>
5. <https://pcivietnam.vn/bang-xep-hang>