



Improve the Provincial Competitiveness Index in Phu Tho Province

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ABSTRACT:

The Provincial Competitiveness Index (PCI) of Vietnam is a result of the research cooperation between the Vietnam Competitiveness Initiative (VNCI) Project and the Vietnam Chamber of Commerce and Industry (VCCI). The PCI is designed to assess the business environment, the quality of economic governance, and the administrative reform efforts of local governments, thereby promoting the development of the domestic private economic sector. According to the assessment of the Vietnam Chamber of Commerce and Industry, in 2022, Phu Tho ranked 24th out of 63 provinces and cities nationwide, up 4 places compared to 2021. This paper assesses in detail the 10 component indices in the Provincial Competitiveness Index of Phu Tho in 2022. From there, it can be seen which indicators have increased points that need to be promoted and which indicators have decreased points that need to be addressed. The paper also provides some solutions to improve the provincial competitiveness index of Phu Tho province.

Keywords: competitiveness index, Phu Tho

1. Introduction

In recent years, Phu Tho province has implemented many positive solutions to create a favorable environment for investors. Thanks to that, Phu Tho province is ranked in the top group in the PCI index ranking of the whole country. According to the assessment of the Vietnam Chamber of Commerce and Industry, in 2022, Phu Tho ranked 24th out of 63 provinces and cities nationwide, up 4 places compared to 2021. The Provincial Competitiveness Index (PCI) is an index that measures and evaluates the quality of economic governance, the level of convenience and friendliness of the business environment, and the administrative reform efforts of the government. It is a "collection of voices" of the business community about the business environment of provinces and cities. Since 2010, Phu Tho province's PCI index ranking was only 53rd out of 63; by 2015, there was a breakthrough in the ranking at 35th out of 63 (increased by 5.9 points and 18 places compared to 2010). The period 2016–2020 continued to see progress in improving the province's competitiveness index (in 2020, Phu Tho province's PCI index ranked 22nd out of 63, up 6.15 points and 13 places compared to 2015). The total PCI score in 2022 in Phu Tho province reached 66.3 points, ranking 4th in the Northern Mountainous Region and 24th out of 63 provinces and cities (down 4 places compared to 2021). On September 8, 2023, the People's Committee of Phu Tho province issued Plan No. 3468/KH-UBND on improving the provincial competitiveness index (PCI) for the period 2023–2025 in Phu Tho province. Accordingly, the objective of the plan is to improve the quality of management and operation of state administrative agencies from the provincial to the grassroots levels; promote the initiative and responsibility of sectors, levels, agencies, organizations, and individuals in administrative procedures; improve the investment and business environment; and enhance the province's competitiveness. ensure a truly favorable, equal, transparent, and friendly investment and business environment, creating motivation for attracting investment, developing economic sectors, and contributing to socio-economic development. Strive for the PCI ranking of the province in 2023 to be around 19-20 out of a total of 63 provinces and cities in the country, among the localities with "fair" economic governance quality on the ranking. Strive to rank the PCI index in group 15/63 by 2025. The plan sets out the main tasks and solutions to improve the provincial competitiveness index (PCI), including: market entry index; land access index; transparency and access to information index; time cost index to implement state regulations; informal cost index; equal competition index; index of dynamism and pioneering of provincial government; business support services index; labor training index; legal institutions and order and security index; in the province for the period 2023–2025.

2. Theoretical basis

Provincial Competitiveness Index

The Provincial Competitiveness Index, abbreviated as PCI, is designed to assess the business environment, the quality of economic governance, and the administrative reform efforts of local governments in provinces and cities in Vietnam. In addition to focusing on analyzing businesses' perceptions of the quality of economic governance, the annual PCI study also surveys foreign-invested enterprises (FDI) operating in Vietnam, assesses business confidence in business prospects, 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 business activities of enterprises nationwide.

PCI is the result of research cooperation 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 indices. Each component index has a weight and includes a number of constituent indicators, reflecting different areas and aspects. Local authorities have a direct impact on the production and business activities of enterprises.

The PCI index measures the quality of economic governance of 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 governance quality when it has: 1) low market entry costs (5%); 2) easy access to land and stable land use (5%); 3) a 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 dynamic 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 effective dispute resolution procedures and maintenance of order and security (5%).

(1) Market Entry Cost (5%): Assess the difference in market entry costs for newly established businesses between provinces. This component index measures the time it takes for a business to register a business, apply for land (number of days), receive all types of licenses, and complete all necessary procedures to conduct business activities. In addition, the index also assesses the effectiveness of the One-Stop-Shop department when registering a business through criteria such as friendly, perform business registration through criteria such as friendly, enthusiastic staff, professional expertise, and clear instructions on procedures at the One-Stop-Shop department.

(2) Land Access Index and Stability in Land Use (5%): This index assesses two aspects: (i) recording difficulties in finding suitable production and business premises; these difficulties not only cause businesses to lose investment opportunities but also limit access to credit sources due to a 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 correlation between the demand and land fund of the locality, and the quality of administrative procedures on land through the proportion of enterprises implementing administrative procedures and not encountering any difficulties. (ii) Do the prices of land-related policies create "stability in land use"? Do businesses feel secure about their long-term land use rights? When businesses are confident in the stability of their production premises, they will be confident in investing in them over 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 the development of the private sector. Assessing 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 province's information portal. Accordingly, the indicators used in this index are: ease or difficulty of accessing 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 commenting and advising on policies; and the openness of electronic information portals.

(4) Time cost to implement state regulations (5%): measures the time that businesses have to spend when carrying out administrative procedures, as well as the frequency and time that businesses have to suspend business so that the provincial state management agencies carry out 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 criteria for evaluating the working efficiency of civil servants in general. annual inspections, average time of tax audits, and 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 to profit?

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

(7) Index of Dynamism and Pioneering of Provincial Government (5%): this index measures the creativity and intelligence of the provincial government in the process of implementing the policies of the Central Government in making its own initiatives to develop the private economic sector, while assessing the ability to support and apply policies that are sometimes unclear from 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 for businesses to succeed in business operations. The assessment of these services is based on three main aspects: the popularity of the service (do businesses use the service in the province?), the level of participation of businesses in using the service, and the quality of the service (satisfaction level of businesses using the service). private service providers and service quality (through expected criteria) using the service again in the future. The 6 service groups include: market information search service; legal advisory service; business partner search support service; trade promotion service; services related to technology; accounting and finance training; and business management training.

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

(10) Legal Institution and Security and Order Index (5%): This component index reflects the trust of private enterprises in local legal institutions, whether enterprises consider these local institutions as effective tools to resolve disputes or as places where enterprises 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 Phu Tho province

Table 1: PCI index of Phu Tho province in the period 2018–2022

Indicator	2022	2021	2020	2019	2018
Market entry	6.95	7.37	8.12	7.17	7.26
Land access	7.25	7.01	6.78	7.10	6.68
Transparency	6.05	6.10	5.69	6.49	5.44
Time costs	7.08	7.70	7.58	6.43	6.50
Informal costs	6.54	6.45	6.67	5.79	5.95
Equal competition	5.28	4.94	7.14	5.64	5.68
Dynamism	7.26	7.18	6.76	6.93	5.24
Business support policies	5.98	7.21	5.17	6.03	7.09
Labor training	6.53	6.21	7.12	7.15	7.04
Legal institutions	7.51	7.02	7.42	7.55	6.35
PCI	66.30	66.11	64.52	65.54	63.95
Ranking	24	20	22	26	24

Source: According to the PCI report for 2022

In 2022, Phu Tho reached 66.30 points—the highest score ever—ranking 24th out of 63 provinces and cities nationwide. For the component indexes, compared to 2021, Phu Tho increased points in six component indexes: Land access (reaching 7.25 points, an increase of 0.24 points); informal costs (reaching 6.54 points, an increase of 0.09 points); equal competition (reaching 5.28 points, an increase of 0.34 points); dynamism (reaching 7.26 points, an increase of 0.08); labor training (reaching 6.53 points, an increase of 0.32 points); legal institutions (reaching 7.51 points, an increase of 0.49 points). Notably, with 7.25 points, the province's Land Access Index reached the highest score ever. Identifying land access as the "key" for enterprises to decide to invest in the province, Phu Tho has been drastic in implementing solutions to improve the score in this index, focusing on promoting compensation and site clearance patiently, persistently, and consistently.

The province has publicized general plans, sectoral plans, land use plans, land price lists in the area, policies, mechanisms to attract investment and investment incentives, documents related to investment on the provincial electronic information portal, and information websites of districts, towns, and cities to create conditions for organizations and individuals to look up information. At the same time, it shortens the time for compensation, site clearance, land recovery, land allocation, and land leases in the province. The two years of 2021 and 2022 were identified by Phu Tho as the years to focus on compensation and site clearance for project implementation, thanks to which the province has recovered a large area of clean land to hand over to investors.

The informal cost index continued to increase from 5.21 points in 2016 to 6.54 points in 2022. This index is used to measure the costs that businesses have to pay for expenses not related to production, investment, fines, and other unusual expenses under normal business operating conditions. Therefore, this is also an index that businesses evaluate strictly when considering choosing an investment location and assessing the business environment.

To achieve the above improvement, Phu Tho has focused on promoting the construction of e-government towards digital government, focusing on the application of information technology in solving work. Thoroughly grasp, inspect, and urge the team of cadres, civil servants, and officials who directly handle administrative procedures at all levels and sectors in receiving, guiding, and processing dossiers. Continue to promote administrative reform, strengthen the implementation of online public services, minimize time costs, and not let people and businesses pay informal costs when coming to settle administrative procedures. Continue to set up hotlines, email boxes, etc. to promptly handle feedback and comments from businesses.

At the same time, the sectors and localities actively reviewed and adjusted the inspection and examination plan to limit and reduce unnecessary inspections and examinations. The provincial inspectorate took the initiative to develop a plan and deploy focused and key inspections, focusing on inspecting areas prone to negativity and corruption, such as land, resources, etc. In addition, the Department of Home Affairs focused on inspecting the performance of duties and the implementation of discipline and order among cadres, civil servants, etc. Cutting informal costs is also a factor that creates a level playing field for economic sectors, contributing to Phu Tho's increase in the Equal Competition Index.

Closely following businesses, being dynamic in attracting investment, and being creative in providing public services, the score in Phu Tho's Dynamism Index continued to increase and be sustainable, ranking 10th nationwide.

This result is largely due to the decisiveness and flexibility of the provincial leaders in the work of preventing and combating the COVID-19 pandemic and the strong movement in changing the working style at all levels, sectors, and localities in the province. Along with that, the score in the province's Labor Training Index also continued to increase, ranking 8th in the country. Phu Tho creates an environment with many advantages in terms of labor, environment, and support policies for businesses.

Although there has been a significant improvement in the business environment, in 2022 the province's ranking still decreased by 4 places compared to 2021. Some indicators decreased, such as market entry, transparency, time costs, and business support policies.

4. Conclusion

In order to have a solution to further improve the total PCI score, Phu Tho focuses on improving the score and ranking of the main indexes, which also contributes to continuing to drastically implement the strategic breakthrough to improve the investment and business environment. In which, the focus is on reviewing the business environment in each field; increasing meetings and dialogue with businesses at many levels; developing programs to support small and medium-sized private enterprises in the area; promoting administrative procedure reform and application of information technology to reduce time and costs for businesses; publicizing and making information transparent on the website, especially information such as planning, local development plans, public investment projects, and bidding; and shortening and eliminating procedures that hinder project owners' investment in the province, especially in the following sectors: investment, land, basic construction, tax, and customs.

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