



Received: 02-02-2024
Accepted: 10-03-2024

International Journal of Advanced Multidisciplinary Research and Studies

ISSN: 2583-049X

Enhancing the Provincial Competitiveness Index in Ha Nam Province

Vu Thi Ngoc Huyen

University of Labour and Social Affairs, Hanoi, Vietnam

Corresponding Author: Vu Thi Ngoc Huyen

Abstract

The Provincial Competitiveness Index (PCI) of Vietnam's business environment is the result of a research collaboration between the Vietnam Competitiveness Initiative (VNCI) 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, Ha Nam achieved 64 points, ranking 46th out of 63 provinces and cities nationwide, an increase of 0.72 points, a decrease of 4 ranks compared to 2021, and lower than the national

median of 1.22 points. With the aim of strongly improving the province's PCI, striving to increase the annual ranking, creating motivation to attract investment, develop enterprises, and contribute to promoting socio-economic development, the article provides a detailed assessment of the 10 component indicators in the Provincial Competitiveness Index of Ha Nam 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 article also provides some solutions to improve the provincial competitiveness index of Ha Nam province.

Keywords: Provincial Competitiveness Index, Ha Nam

1. Theoretical basis

Provincial competitiveness index

The PCI is the acronym for the Provincial Competitiveness Index, 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 governments of provinces and cities in Vietnam, thereby promoting the development of the private economic sector. Built from the data of the largest annual business survey, conducted in the most elaborate way in Vietnam today, the PCI is a "collection of voices" of the private business community about the business environment in the provinces and cities in Vietnam.

The PCI aims to understand and explain why some provinces and cities surpass others in terms of private economic development, job creation, and economic growth, thereby providing useful information for leaders of provinces and cities to identify areas and ways to implement economic governance reforms most effectively. The PCI rates the quality of economic governance of provinces and cities on a 100-point scale based on groups of factors that are important for the growth and prosperity of the private economic sector. These factors are gathered from surveys of businesses in the private economic sector about the business environment of a province or city where they operate, along with official data about the area released by ministries and sectors. Specifically, a province or city has a good PCI result when: (1) Market entry costs are low; (2) Access to land is easy and land use is stable; (3) The business environment is transparent and business-related information is publicly available; (4) The time costs of administrative procedures and inspections are low; (5) Informal costs are low; (6) The business environment is equal among economic sectors; (7) The government is dynamic and innovative in creating a favorable business environment; (8) Business development support services are of high quality; (9) Labor training policies and services are good; and (10) Dispute resolution for businesses is fair, efficient, and ensures business safety during production and business operations.

(1) Market entry costs: Assessing 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 Unit in carrying out business registration through criteria such as friendly, enthusiastic staff, professional expertise, and clear instructions on procedures at the One-Stop Unit.

(2) Land access index and stability in land use: This index assesses two aspects: (i) recording the difficulties in finding suitable production and business premises; these difficulties not only cause businesses to lose investment opportunities but also limit access to credit capital due to a lack of collateral at the bank. Accordingly, this index is calculated based on the status of whether the enterprise has a Land Use Right Certificate or not, 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 the land fund of the locality, and the quality of administrative procedures on land through the criterion of the proportion of enterprises implementing administrative procedures and not encountering any difficulties. (ii) Assessing whether land-related policies create "stability in land use" and whether 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 in the long term. Accordingly, this index assesses the risk of land recovery and the level of reasonable compensation in the event of recovery.

(3) Transparency and information access index: 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 policy advocacy and consultation; and the openness of electronic information portals.

(4) Time costs for implementing state regulations: Measuring 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 operations for state management agencies of the province to conduct inspections, for example, the percentage of businesses spending more than 10% of their time in a year researching and implementing state regulations; the number of annual inspections; the average time of tax audits; and the criteria for evaluating the overall performance of civil servants.

(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 operations of businesses. Do the payments of informal costs bring the expected results or "services," and do state officials use legal regulations for personal gain?

This part of the index measures how competitive it is for private businesses when compared to state-owned enterprises (SOEs), foreign-invested enterprises (FDI enterprises), and businesses that know people in the

provincial government. This can be seen in the form of special benefits and incentives when getting resources for development like land, credit, and more, as well as being given priority in the implementation process.

(6) Dynamism and pioneering index of the provincial government: This index measures the creativity and intelligence of the provincial government in the process of implementing central policies and in making its own initiatives to develop the private economic sector, while assessing the ability to support and apply central policies that are sometimes unclear in a way that benefits businesses, as well as the effectiveness of implementation by provincial departments, sectors, and districts with the policies of the provincial leaders.

(7) Business support services index: This component index assesses business support services-services that play a key role in business success. 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 private providers, and the quality of the service (through the criterion of expected reuse of the service in the future). The six service groups 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. Mass assistance in finding business partners; trade promotion services; technology-related services; training in accounting and finance; and training in business administration.

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

(9) Legal institutions and security and order index: This component index reflects the confidence of private businesses in local legal institutions, whether businesses view local institutions as effective tools for resolving disputes or as places where businesses can complain about harassment by local government officials, and whether the security and order situation is maintained stably.

2. The current status of the PCI index in Hanoi province

Ha Nam has been and is focusing on improving the business environment in the direction of transparency, equality, and competition, in line with the market and with the trend of international integration; changing thinking and approach; organizing investment promotion; researching and issuing investment attraction policies and mechanisms; and contributing to promoting capital flows into the province in a positive, harmonious, reasonable, scientific, and effective manner. In the past, despite many difficulties and challenges, especially the COVID-19 pandemic, with the efforts of the entire political system and the solidarity and consensus of the business community and the people, the socio-economic situation of Ha Nam province has basically been maintained and has developed.

Compared to the 2021 PCI, Ha Nam's overall score increased but not significantly; the 2021 PCI score was 63.28, and the 2022 PCI score was 64. The province's ranking in 2022 decreased by 4 ranks compared to 2021. Specifically, in 2021, the province ranked 42nd, and in 2023, the province ranked 46th. Compared to 2021, there were 5 component indicators that increased in score and

ranking, including time costs (increased by 15 ranks); informal costs (increased by 8 ranks); dynamism and pioneering of the government (increased by 21 ranks); labor training (increased by 13 ranks); legal institutions and security and order (increased by 8 ranks); 1 component

index decreased in score, increased in rank was business support policy; 4 indicators decreased in score, decreased in rank including market entry, land access, transparency, and equal competition.

Table 1: PCI index of Ha Nam province in the period 2018-2022

Indicator	2022	2021	2020	2019	2018
Market entry	6.71	6.73	8.19	7.09	7.99
Land access	5.93	7.35	6.47	6.79	6.21
Transparency	5.87	6.28	5.94	6.59	6.22
Time cost	7.46	7.04	7.45	6.79	6.50
Unofficial costs	6.87	6.63	6.22	5.35	5.84
Equal competition	5.92	6.07	6.31	4.55	4.51
Dynamism	6.88	6.70	7.08	6.75	6.22
Business support policies	5.68	6.20	5.39	6.88	6.40
Labor training	5.86	5.79	6.79	6.90	6.56
Legal institutions	7.12	6.35	6.53	6.00	5.68
PCI	64.00	63.28	63.47	65.07	62.77
Rank	46	42	30	34	37

Source: Synthesized according to the PCI report

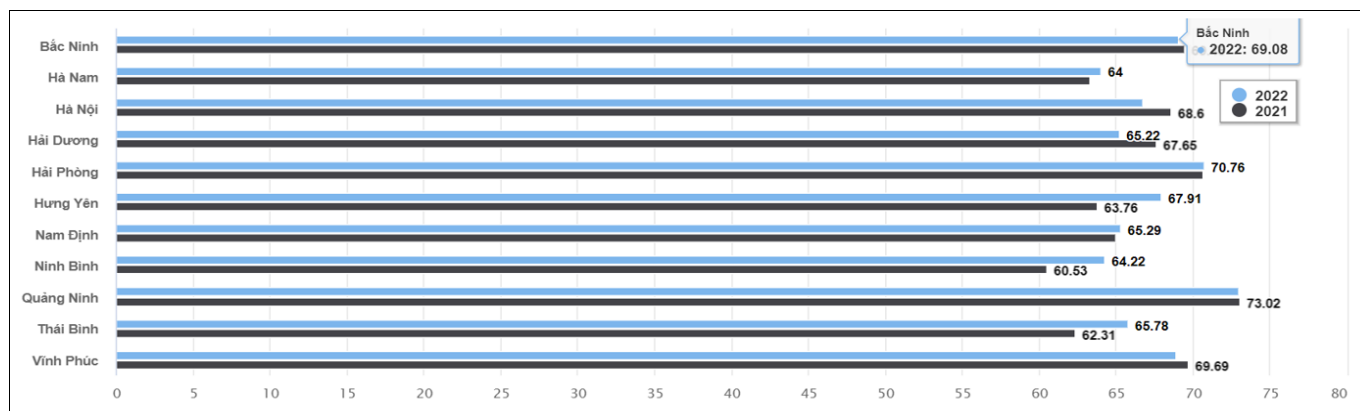


Fig 1: Comparison of Ha Nam with other provinces in the Red River Delta

Table 2: PCI index of provinces in the Red River Delta in 2022

Province	PCI Score	Rank
Quang Ninh	72.95	1
Hai Phong	70.76	2
Bac Ninh	69.08	3
Vinh Phuc	68.91	4
Hung Yen	67.91	5
Ha Noi	66.74	6
Thai Binh	65.78	7
Nam Dinh	65.29	8
Hai Duong	65.22	9
Ninh Binh	64.22	10
Ha Nam	64.00	11

Source: Synthesized according to the PCI report

3. Conclusion

In order to improve and enhance the PCI index ranking in 2024 and subsequent years, Ha Nam province requests that departments, sectors, branches, localities, and units implement and carry out drastic and synchronous tasks and solutions such as:

Enhance the role and responsibility of leaders in handling and preventing harassment and causing inconvenience to people and businesses in resolving their work. Leaders at all levels and in all sectors must be proactive and pioneering in carrying out the task of supporting and accompanying businesses in order to create a transparent and open business

environment so that investors and businesses can confidently invest, develop production and business in the province, regularly review and improve the quality of civil servants and officials working at the provincial administrative service center, at the local reception and feedback units, and at the same time actively transform digitally to improve the quality and efficiency of services for people and businesses, and administrative reform in the electronic environment in order to save costs and reduce travel time for people and businesses; Effectively use online public services at levels 3 and 4 on the Public Service Portal, the provincial Electronic One-

Stop Information System, and the National Public Service Portal; innovate and improve the quality of dialogue between the government and businesses; enhance coordination in resolving difficulties and obstacles for businesses; and link the responsibility of local leaders, agencies, and units in organizing dialogue, handling, and promptly resolving any problems that arise for businesses.

The province promotes business support activities, effectively implements the legal aid program, supports businesses in protecting their rights and legitimate interests in accordance with the provisions of the law, builds a favorable, equal, and transparent investment and business environment, focusing on the publicity and transparency of industry and sector development plans, especially land use plans, construction plans, and investment attraction orientations, etc.;

The province regularly reviews and proposes to competent authorities to amend and supplement legal documents that are not suitable, creating favorable conditions for businesses and investors to access and apply preferential investment policies that ensure equality among businesses, especially preferential policies on taxes and land; effectively implement the work of compensation and site clearance; and create the best possible conditions for investors to accelerate project implementation progress.

Target for 2024: Ha Nam continues to maintain and promote increased component indicators, drastically improve decreased component indicators and low rankings, and strive to increase the province's PCI index by 8–12 ranks compared to 2023.

In parallel with solutions to improve the business environment and raise the PCI index, Ha Nam province continues to remove difficulties for businesses when carrying out administrative procedures for conditional business licenses, minimizing the need for businesses to pay unofficial costs; continue to reduce the burden of inspections, especially construction and labor inspections; improve the effectiveness of vocational training, improve the quality of the labor force, especially skilled and highly skilled labor; enhance the effectiveness of implementing business support programs within the framework of the Law on Support for Small and Medium Enterprises; continue to focus on solutions to create clean land funds for businesses...

At the same time, the province promotes innovative thinking, raises awareness, and enhances the role and responsibility of leaders in directly leading, directing, and organizing the implementation of work to improve the investment and business environment; continues to create an equal environment in accessing resources among business entities and investors; improves efficiency and transparency as a basis for attracting investors, linked to cooperation and the sharing of benefits and responsibilities with businesses in the province; and contributes to the common effort to build the province's business community.

4. References

1. PCI Report 2022.
2. PCI Report 2021.
3. Ha Nam Provincial People's Committee. Document No. 2369/UBND-TH, dated September 5, 2022, on implementing tasks and solutions to improve the provincial competitiveness index (PCI) of Ha Nam province in 2022 and subsequent years, 2022.

4. <https://pcivietnam.vn/>