



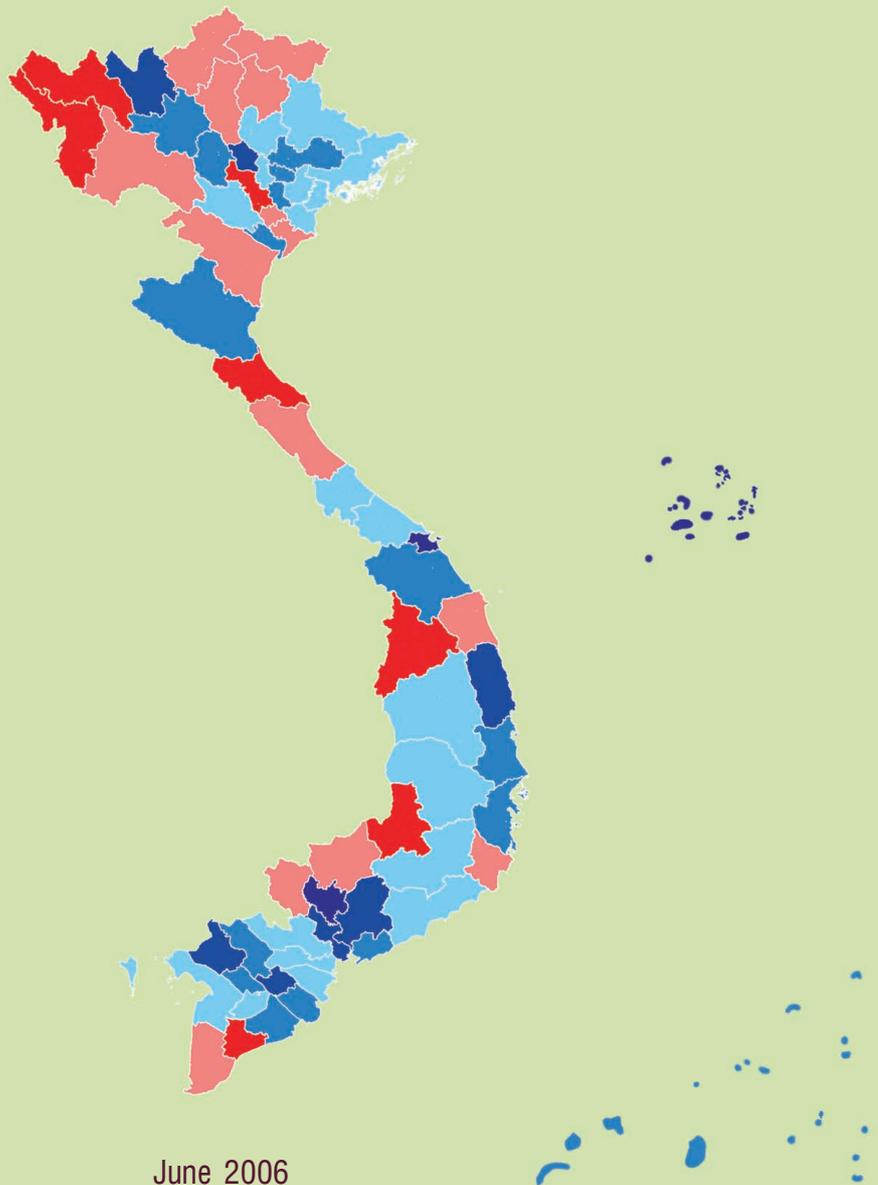
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# THE VIETNAM PROVINCIAL COMPETITIVENESS INDEX 2006

MEASURING ECONOMIC GOVERNANCE  
FOR PRIVATE SECTOR DEVELOPMENT

## SUMMARY REPORT



June 2006



Founded in 1963, the Vietnam Chamber of Commerce and Industry (VCCI) is a national organization that assembles and represents the business community, employers, and business associations of all economic sectors in Vietnam. The mission of VCCI is to protect and assist business enterprises, to contribute to the socioeconomic development of the country, and to promote economic, commercial, and technological cooperation between Vietnam and other countries in the world.

VCCI's two main functions are: (i) representing the Vietnamese business community through the promotion and protection of the lawful, legitimate interests of Vietnamese enterprises and employers in domestic and international relations; and (ii) promoting the development of business enterprises, facilitating cooperation among business entities, and offering assistance in trade and investment, economic, and technological cooperation as well as other business activities of enterprises in Vietnam and abroad.

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The Vietnam Competitiveness Initiative (VNCCI) is an economic growth project of the United States Agency for International Development (USAID) to improve the competitiveness of small and medium-sized enterprises (SMEs) in Vietnam. The project has three components: (1) Improving the regulatory climate for SMEs; (2) SME capacity building; and (3) SME access to finance. VNCCI is managed by Development Alternatives, Inc. (DAI). The Asia Foundation is the principal subcontractor to DAI and is responsible for the research and policy component of VNCCI, including the design and production of the PCI.

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# The Vietnam Provincial Competitiveness Index 2006<sup>1</sup>

## Vietnam Chamber of Commerce and Industry (VCCI) USAID-funded Vietnam Competitiveness Initiative (VNCI)

### Executive Summary

In 2005 the Provincial Competitiveness Index (PCI) was developed by the Vietnam Chamber of Commerce and Industry (VCCI) and the USAID-funded Vietnam Competitiveness Initiative (VNCI) to assess and rank 42 provincial governments by their regulatory environments for private sector development, controlling for differences in initial endowments. The index attracted considerable attention from various stakeholders including the business community, the media, the donor community and of course the provinces themselves. Most impressive has been the positive actions undertaken by a number of provincial authorities to use the PCI to understand the problems confronting the private sector and to improve their treatment of business.

Following the success of the PCI in 2005, VCCI and VNCI repeated the index in 2006. Over 6300 private sector firms participated in this year's survey allowing for much stronger and more reliable data analysis than last year as well as the inclusion of all 64 provinces. This remarkable response - more than three times that of last year - confirms the PCI as an important means for businesses to voice their concerns about the business environment. Particularly impressive was the strong response by businesses in many of the smaller and more remote provinces not included in last year's PCI (particularly those in the Northern Uplands and Central Highlands).

Another important development in this year's PCI is the inclusion of two new sub-indices: Legal Institutions and Labor Training - two key areas where provincial authorities can take actions that affect the local business environment.

Despite using a different and larger sample set, a modified methodology and new sub-indices and indicators, the rankings this year show remarkable stability when compared to last year's, raising confidence in the validity of the methodology and the robustness of the findings. Provinces that did well last year, tended also to do well this year. Strong performers

include Binh Duong, Da Nang, Vinh Long, Vinh Phuc, and Dong Nai. The outstanding newcomer to the PCI is Lao Cai which performed consistently well across all sub-indices.

### Introduction

The Provincial Competitiveness Index (PCI) is an effort to explain why some parts of the country perform better than others in terms of private sector dynamism and growth. Using survey data from businesses that describe their perceptions of the local business environment, as well as credible and comparable data from official and other sources regarding local conditions, the PCI rates provinces on a 100-point scale. In 2006, the PCI is composed of ten sub-indices that capture key dimensions of the local business environment that can be directly influenced by the actions and attitudes of provincial officials:

- ◆ Entry Costs (Business Establishment Costs)
- ◆ Land Access and Security of Tenure
- ◆ Transparency and Access to Information
- ◆ Time Costs of Regulatory Compliance
- ◆ Informal Charges
- ◆ State-Sector Bias (Competition Environment)
- ◆ Pro-activity of Provincial Leadership
- ◆ Private Sector Development Services
- ◆ Labor Training
- ◆ Legal Institutions

The research has a number of important design elements that make the results easily translated into governance reforms.

*First*, by separating out the growth generated by initial conditions (i.e. the fundamental underlying factors that contribute to growth but are very difficult or impossible to address in the short-term, such as location, infrastructure, GDP size and human resources), the research was able to determine that good governance practices are possible at the provincial level and that these practices explain why some areas outperform others or why some areas

<sup>1</sup> The PCI is the result of a major collaborative effort of the Vietnam Competitiveness Initiative (VNCI) and the Vietnam Chamber of Commerce and Industry (VCCI). This summary paper was prepared by VNCI Consultant Dr Edmund Malesky, the lead researcher in the development and design of the PCI, and VNCI Deputy Director Dr David Ray. Other PCI team members include Tran Huu Huynh, Director of the Legal Department at VCCI, Dau Anh Tuan and Le Thanh Ha of the VCCI; Huynh Mai Huong, Le Thu Hien, Lily Phan, Trinh Hong Hanh, Do Le Thu Ngoc and Scott Robertson of the VNCI. The PCI also benefited from the assistance and input provided by Dennis Dzvinakis and David Brunell of USAID, Robert Webster of VNCI and Dr Kim Ninh and Dr Franck Wiebe of The Asia Foundation.

have similar economic outcomes despite having very different initial conditions. Actual improvements in these governance practices should lead to improvements in economic performance, even without significant changes in the physical and human infrastructure in a region.

*Second*, by normalizing the scores around the best practices already found in Vietnam, the index directs provincial governments to improve their performance, not against some ideal and possibly unattainable standard of good governance but rather against the best performance already practiced by their peers within the same national political framework. While the performance scores by province range from 36.76 to 76.23, any province in theory could attain a perfect score by adopting all existing best practices already found in Vietnam.

*Third*, by comparing governance practices against actual economic performance, the PCI provides initial estimates of how important governance practices are to attracting investment and generating growth. The research provides a compelling demonstration of the association between business-friendly governance practices, business responses and, importantly, welfare improvements. This last connection is critical as it makes clear that business-friendly policies and practices benefit not just entrepreneurs but also the broader society that relies upon private sector dynamism to provide the jobs that raise household living standards.

## The Impact of the PCI 2005

Provincial authorities have been quick to respond to the PCI with a number of initiatives to improve their regulatory environments for private sector development. Soon after the release of last year's PCI data and rankings, various provincial authorities approached VNCI and VCCI to invite the PCI team to present a customized diagnostic analysis of their province's performance in the PCI. These diagnostic workshops, where the PCI team outlined key strengths and weaknesses of the province's PCI performance and put forward broad recommendations for action and reform, were typically chaired by the People's Committee Chairman or Vice Chairman and facilitated by the Department of Planning and Investment.

To date diagnostic workshops have been held in An Giang, Bac Ninh, Binh Dinh, Binh Thuan, Hai Duong, Nam Dinh, Quang Binh, Quang Nam, Tien Giang, Vinh Long and Vinh Phuc. Note that some of these workshops were held in cooperation with GTZ and IFC-MPDF. To strengthen and galvanize provincial

responses to the PCI, two provinces invited the PCI team for a second diagnostic workshop: An Giang and Quang Nam.

Important commitments and initiatives have resulted from these diagnostic workshops. These include new measures to promote business participation and feedback in the policy and planning process, greater efforts to streamline and rationalize business licensing and land access procedures, improved mechanisms for the dissemination of investor-related information and better and more coordinated institutional response to the problems of improving the treatment of private sector entrepreneurs and investors.

Much has been written in the media about the impressive response by Ha Tay provincial authorities to their bottom ranking in the 2005 PCI. This has been covered in earlier PCI reports and the report to the Vietnam Business Forum in December 2005. These reports noted a number of commitments made by the Ha Tay administration to improve the provincial business environment (and therefore its PCI ranking). It is probably too early to judge whether these commitments have translated into specific improvements in the business environment. However one commitment made in direct response to its PCI ranking was to hold a major investment promotion conference by the first quarter of 2006. As noted in local press reports, that conference was held in December 2005 and over \$800 million of investment was committed at this event.<sup>2</sup>

The diagnostics are not the only noteworthy aspect of the impact of the PCI. In many ways the PCI has become an integral part of the private sector policy and regulatory reform landscape in Vietnam at both the national and provincial level. For example the PCI was front and center in the Prime Minister's address to the business community in January 2006. Also particular mention was made of the PCI by provincial leaders, including Party Secretaries and People's Committee Chairmen and Vice-Chairmen, during various preparatory meetings and workshops for the Provincial Party Congresses.

The media continue to frequently refer to the PCI, particularly when reporting on business environment issues at the provincial level. At last count the PCI team had found over 145 articles on the PCI, including major reports and feature articles. In December last year, the national TV news broadcaster (VTV1) announced the PCI as one of the 'Top 10 Economic Events' of 2005. The PCI has also been found to be useful in donor circles. It is a central part of donor efforts to promote private sector development at the provincial level. Donors such as IFC-MPDF, DANIDA and GTZ have mainstreamed the PCI into their

<sup>2</sup> 'A more persuasive carrot', Vietnam Economic Times, February 2006.

provincial programs to assist with various benchmarking, problem identification/research and monitoring/evaluation activities.

The PCI has quickly evolved from being an innovative, if controversial, research exercise in 2005 to an important tool to facilitate and drive governance reforms. With over 6300 participating firms, the PCI represents the largest and most comprehensive survey of the private sector's perceptions of public sector performance. Moreover, the data collected for construction of the PCI can be put to other uses as well. Beyond analysis of provincial aggregates, a diverse range of business environment issues and their implications for policy can be studied using PCI data. These will be covered in the full PCI report to be released later this year.

## What's New with the PCI in 2006?

Following the success of the PCI in 2005, a commitment was made by VCCI and VNCI with USAID support, to repeat the PCI this year with a number of key modifications and improvements as discussed below:

- ◆ *Larger Sample of Business Surveyed.* Last year's PCI was based upon 2,020 responses from a mail out survey to a stratified random sample comprising 15,400 active firms on the Tax Payer list generating a response rate of around 13.1%. In 2006 the PCI questionnaire was sent out to 31,186 firms; double that of last year, resulting in a tripling in the number of responses. 6,379 businesses participated in this year's survey, generating a response rate of over 20%. The higher response was the result of more intensive sampling and surveying effort and a more enthusiastic response from businesses.
- ◆ *All 64 Provinces Included.* A larger data-set allows for greater flexibility and more robustness in the statistical analyses of provincial performance. More importantly a larger data-set allows for the inclusion of all 64 provinces, up from 42 last year. Most impressive this year has been the strong response from the smaller and more remote provinces not included in last year's PCI (see below for more details). No province had less than 35 responses, and all but two provinces had 50 or more responses. This allowed for a great deal of statistical confidence in the conclusions.
- ◆ *New Sub-Indices Developed.* Two new sub-indices were included to capture other aspects of Provincial Government efforts to enhance the business environment:

- Labor Training - assessing efforts to help overcome skills shortages at the provincial level.
- Legal Institutions - measuring the degree of confidence that businesses have in provincial legal institutions.

Other sub-indices were developed, including one designed to reflect the level of business participation in the policy and planning process, but these were found to lack explanatory power and/or were consumed by, or duplicated by other sub-indices.

- ◆ *Modification of Existing Sub-Indices.* In addition to the development of new sub-indices, a number of the existing indices were strengthened. For example, the Entry Costs sub-index has been augmented by other perceptions data describing the degree of difficulty of establishing a business, whilst hard data was removed from this sub-index for methodological reasons. Also, the land sub-index was modified to reflect two key dimensions of the land equation for firms: access to land and the security of tenure of land.
- ◆ *New Weights.* As was done last year, sub-index weights were calculated by using multivariate analysis to determine the relative impact of the ten sub-indices upon private sector investment, profitability and growth. This year the original scores were simplified into three basic classes of weights: 5%, 10% and 15%, which will be applied to the next few iterations of the PCI.<sup>3</sup> Simplifying the weights will allow for easier replication of the index in subsequent years.

## Ten Sub-Indices of Provincial Competitiveness

As per last year, the PCI assesses and ranks provincial governments by their treatment of, and attitude toward private business. There are of course a range of other factors that can influence an entrepreneur's desire and commitment to invest or do business in a particular province, such as the size of the provincial economy, infrastructure, human resources and location. However these are all endowments that are at least in the short-medium term, independent of the actions and attitudes of the current set of officials in the province. In many cases, cross-provincial differences in endowments will endure long into the future. Ho Chi Minh City will always have a larger market than Ha Tinh. Binh Duong will always enjoy a better location than Ca Mau or Kom Tum. Ha Tay will probably always have better infrastructure and more developed human resources than Ha Giang.

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<sup>3</sup> Note that the weights on the ten sub-indices sum to 100%.

If a competitiveness index was constructed composed of the endowments discussed above, the results would be much less interesting. The larger and more developed provinces such as Ho Chi Minh City, Ha Noi, Ba Ria - Vung Tau, Da Nang, Dong Nai and Hai Phong would be rated the most competitive business environments simply because of their initial endowments. More importantly, the analysis would ignore the efforts of a less developed province that does not have advantage of these endowments, but is nevertheless making serious efforts to improve its business environment.

To be able to compare provinces on an equal basis the PCI focuses on the quality of economic governance for private sector development, controlling for differences in initial endowments. In line with this philosophy, the ten sub-indices of competitiveness were constructed to capture different elements of business environment that can be directly influenced by provincial authorities in the short-to-medium term. These are described in greater detail in Appendix 1 and summarized below:

1. *Entry Costs*: A measure of the time it takes firms to register, acquire land, and receive all the necessary licenses to start business, the number of licenses required and the perceived degree of difficulty to obtain all licenses/permits.
2. *Land Access and Security of Tenure*: A measure combining two dimensions of the land problems confronting entrepreneurs: how easy it is to access land and the security of tenure once land is acquired. The first dimension comprises whether firms possess their official land use rights certificate, whether they have enough land for their business expansion requirements, whether they are renting from SOEs and an assessment of land conversion efforts. The second dimension includes perceptions of various tenure security risks (such as expropriation, unfair compensation values, or changes in the lease contract) as well as the duration of tenure.
3. *Transparency and Access to Information*: A measure of whether firms have access to the proper planning and legal documents necessary to run their business, whether those documents are equitably available, whether new policies and laws are communicated to firms and predictably implemented, and the business utility of the provincial web page.
4. *Time Costs of Regulatory Compliance*: A measure of how much time firms waste on bureaucratic compliance as well as how often and how long firms must shut their operations down for inspections by local regulatory agencies.
5. *Informal Charges*: A measure of how much firms pay in informal charges, how much of an obstacle those extra fees pose for their business operations, whether payment of those extra fees results in expected results or 'services', and whether provincial officials use compliance with local regulations to extract rents.
6. *SOE Bias (Competition Environment)*: A measure of the competition regime confronting private business focusing on the perceived bias of provincial governments toward state owned enterprises (SOEs) and equitized firms in terms of incentives, policy, and access to capital.
7. *Pro-activity of Provincial Leadership*: A measure of the creativity and cleverness of provinces in both implementing central policy, designing their own initiatives for private sector development, and working within sometimes unclear national regulatory frameworks to assist and interpret in favor of local private firms.
8. *Private Sector Development Services*: A measure of provincial services for private sector trade promotion, provision of regulatory information to firms, business partner matchmaking, provision of industrial zones or industrial clusters, and technological services for firms.
9. *Labor Training*. A measure of the efforts by provincial authorities to promote vocational training and skills development for local industries and to assist in the placement of local labor.
10. *Legal Institutions*. A measure of the confidence of the private sector in the provincial legal institutions, whether firms regard provincial legal institutions as an effective vehicle for dispute resolution or as an avenue for lodging appeals against corrupt official behavior.

## Constructing the PCI

Following a similar methodology to last year's PCI, a three step process was used to construct this year's index.

### Step 1: Data Collection

As per last year two general types of data are used to construct the sub-indices. The first is perceptions data drawn from a mail-out survey to private firms. This perceptions or "soft" data was combined with objective or "hard" data gathered from statistical yearbooks, interviews with third-parties such as state owned banks or real estate firms, or collected from business associations.

*Sampling.* Following the technique used from last year, the list of tax paying private firms from the Tax Authority was used to generate the firm sample. The tax list is more reliable than registration lists, which sometimes are not updated to exclude firms that have gone out of business and often include firms which have not yet begun operations. As of November 2005, this list provided information on 151,140 active tax paying private sector firms. As it was not feasible to survey every firm on this list, a stratified sample of firms was generated that would be representative of the total population of firms. For this reason, this tax list of firms was then categorized into 24 stratifications, across 3 dimensions:

1. Ownership type: a) Joint Stock; b) Limited Liability and c) Private Business;
2. Sectors: a) Manufacturing; b) Natural Resource Exploitation; c) Trade/services and d) Agriculture;
3. Age: a) Established before 2000; b) Established in/after 2000.

A random stratified sample of 31,186 firms was then constructed by VCCI. The total number of firms per province in this sample depended upon the total provincial population of private firms in the province (larger provinces had larger samples) and the response rate from last year's PCI (provinces with low response rate last year had larger samples this year). In provinces with less than 500 private firms on the tax list, the entire population of firms were sampled.

*Mail-out of PCI Questionnaires.* VCCI then sent out the questionnaire to the stratified sample of firms in the first week after the 2006 Tet break. To ensure that only valid responses were processed, only completed questionnaires sent via post were accepted by VCCI. This year our target was to receive a minimum 50 responses per province (double that of last year). This was to better ensure the statistical validity of in-province samples. To encourage responses, firms returning a completed questionnaire were

given the choice of one of eight VCCI books (e.g. on branding, business management, sales techniques, recent laws etc) and approximately 20 participating businesses will be invited to the PCI release in Hanoi on June 1, 2006.

*Follow-up Phone Calls.* To maximize the response rate VCCI trained and employed 25 researchers to then call a selection of the sample firms to confirm receipt of the questionnaire and to encourage them to complete the questionnaire. This was done as a two stage process:

- ◆ Round 1. Random calls were made to 30% of firms in each provincial sample
- ◆ Round 2. Calls were made to a second group of randomly selected firms in only provinces with absolute response numbers below the target of 50.

Firms that had not received the questionnaire were sent a duplicate copy. Responding firms were sent an acknowledgement letter, and as noted above, a book from VCCI.

*Response Rate.* By April 14, 2006, VCCI had received 6379 responses, delivering a response rate of 20.5%.<sup>4</sup> The significantly higher response was very good news for the PCI team. Three times the volume of firm-level perceptions data allows for greater flexibility and robustness in the data analysis, and perhaps more importantly, the inclusion of all 64 provinces in the PCI. One of the striking features of this year's survey was the strong response by firms in the smaller and more remote provinces not included in last year's PCI. Of the top five responding provinces, three were not included in last year's PCI: Hoa Binh, Bac Giang and Yen Bai.<sup>5</sup>

#### Step 2: Processing the Data to Construct the Sub-indices

As noted earlier, an important strength of the PCI is that it compares provincial economic governance against best practices already found in Vietnam, not against some idealized standard. For this reason each indicator was standardized to a ten-point

**Table 1. Top Five Responding Provinces: Number of Questionnaires Sent and Received**

Province	Total Sent	Total Received	Response Rate
1 Ho Chi Minh City	1,200	234	19.5%
2 Hoa Binh	465	156	33.5%
3 Bac Giang	500	138	27.6%
4 Yen Bai	319	138	43.3%
5 Thanh Hoa	500	135	27.0%

<sup>4</sup> Various tests were performed to ensure that this sample is representative of the broader population of firms. In each of the stratifications statistical analysis revealed low sampling errors and high and significant correlations between the sample and the population.

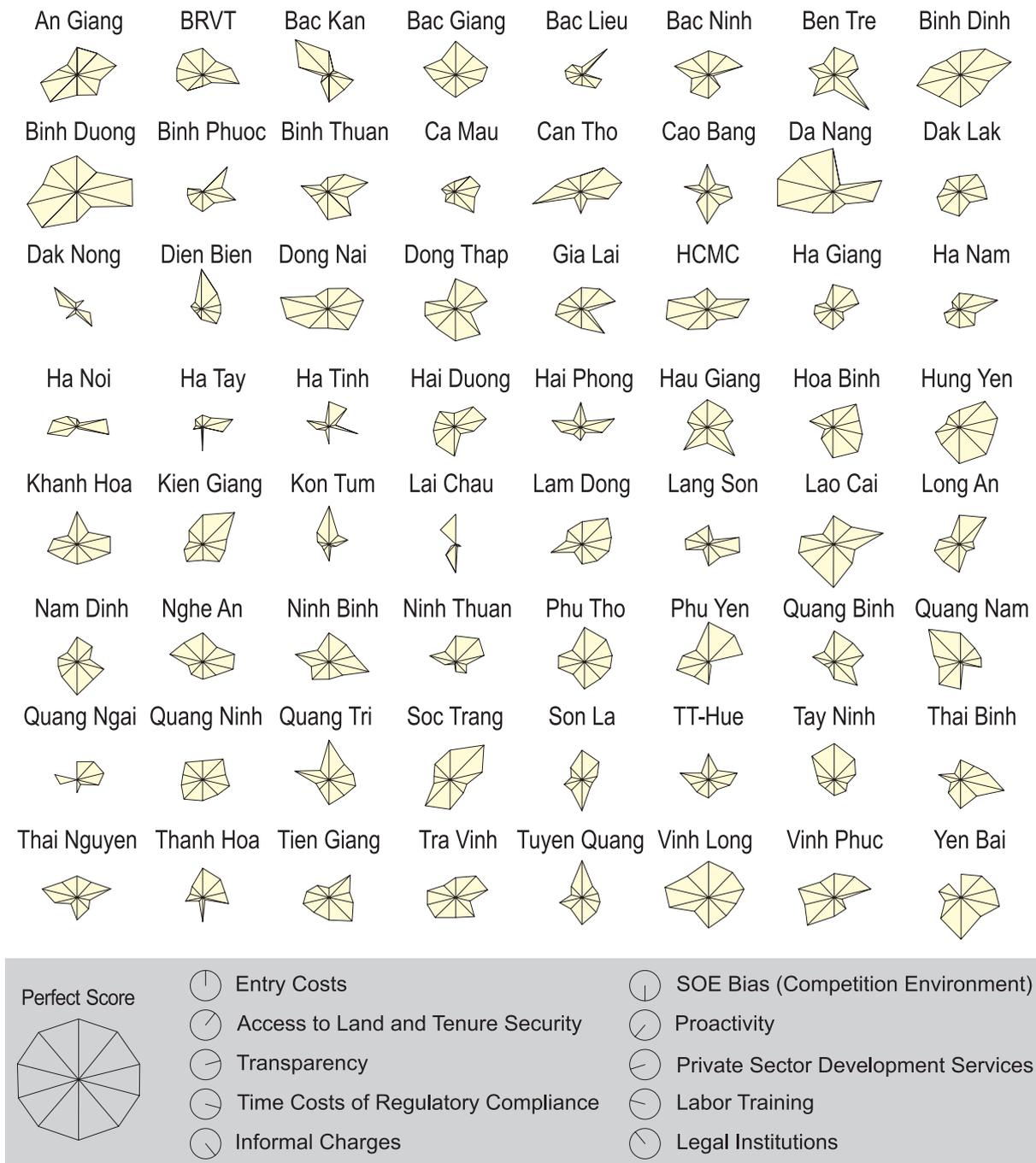
<sup>5</sup> Other new provinces with strong response rates include Bac Kan, Cao Bang, Dak Nong, Son La and Tra Vinh.

scale,<sup>6</sup> whereby the best and worst performing provinces would be awarded the scores of 10 and 1 respectively, and the other 62 provinces would be distributed somewhere along the scale between these two scores.

Using the existing literature on the business environment as the guide, indicators were grouped into 10 sub-indices (including 8 sub-indices from last year). Considerable effort was made to ensure that these

sub-indices corresponded with previous research on the obstacles to private sector entry and growth in Vietnam. Once the indicators were standardized, an average (either weighted or simple) of all indicators was taken to create the sub-index. Weighted averages were used to integrate hard data into 4 of the sub-indices (Land Access and Security of Tenure, SOE Bias, Labor Training, and Legal Institutions). Provincial performance across the 10 sub-indices is summarized in the star charts contained in Figure 1.

**Figure 1: Star Graph of Provincial Performance on Sub-Indices**  
(Perfect Score = 10 on every sub-index)



<sup>6</sup> The following standardization formula was used if a high score on an indicator meant good governance:  $\{9 * ((\text{Provincial Score} - \text{Sample Minimum}) / (\text{Sample Maximum} - \text{Sample Minimum})) + 1\}$ . If a high score on an indicator meant poor performance the above formula was subtracted from 11:  $11 - [9 * ((\text{Provincial Score} - \text{Sample Minimum}) / (\text{Sample Maximum} - \text{Sample Minimum})) + 1]$ .

### Step 3: Construction of the Final PCI

A simple summation of these sub-indices yields the un-weighted index with a maximum possibility of 100 points. While this is clearly the easiest and simplest method of calculating the final PCI, it would be inappropriate as a policy tool. This is for the simple reason that some sub-indices are more important than others in explaining private sector development. Hence it was important to re-weight sub-indices based on their actual contributions to private sector development. To do this, the research team used multivariate regression analysis to determine how each of the sub-indices impacted upon the key economic performance variables which researchers and practitioners in Vietnam have deemed the most important gauges of private sector development:<sup>7</sup>

- ◆ *The ratio of private enterprises (including Sole Proprietorships, Partnerships, Limited Liability Companies [LLCs] and Joint-Stock Companies) actively operating in the provinces to the number of citizens in the province in 2004.* The number of active enterprises allows for the identification of firms that completed registration procedures and have been successful enough to continue their business operations beyond the entry stage. The total number of active private firms (not including collectives) was divided by thousands of provincial citizens to account for the fact that larger population centers may simply have a larger absolute number of firms.
- ◆ *Average private sector long-term investment per capita (2000-2004) was chosen to gauge the size of the risk entrepreneurs were willing to make.* The assumption is that private entrepreneurs will be more willing to make sizable investments in more conducive regulatory environments, where they can more accurately assess the long-term potential risks and benefits to their enterprise. Investments should remain small in areas where firms face a high risk of expropriation or corruption, or where subtle barriers are erected to prohibit their success.
- ◆ *Average profit per firm in millions of VND (2000-2004) was selected as a measure of the success*

of individual firms over the Post-Enterprise Law period. Profit of firms in a one-time period is a very good predictor of the potential for more investment in subsequent periods, as more firms enter the market. Competitive provinces are more likely to create an environment in which entrepreneurialism is encouraged and rewarded by business profits, rather than by public largesse.

In each case, the research team regressed the above economic performance variables, controlling for the initial structural conditions of private sector development,<sup>8</sup> specifically:

- ◆ The distance from markets measured by the distance in kilometers from the provincial capital to Ha Noi or Ho Chi Minh City;
- ◆ The quality of human capital measured by the secondary school graduates as a percentage of the population in 2000 to account for the relevant labor force private firms would draw upon; and
- ◆ Initial infrastructure endowment measured by telephones per capita in 1995 to determine their relative contributions (or 'weights').<sup>9</sup>

These weights were then rounded to the nearest 5% to deliver three basic classes of weights, as shown in Table 2.

These weights were then applied to the sub-indices, which were then aggregated into the final PCI.

### Analysis of PCI Rankings

The final PCI scores and rankings are contained in Figure 2. As was done last year, a 100 point scale was used. Again Binh Duong is the highest ranked with a score of 76.23, with Da Nang as the second highest ranked. Lai Chau has the lowest ranking with 36.76. If we consider only those 42 provinces within last year's PCI sample, then Ha Tay again is the lowest ranked with a score of 40.73.

Provinces should not be too pre-occupied with their individual rankings, as small changes in scores can lead to significant changes in rankings. For example an increase as small as 0.5 can in some places lead to a 5 place jump in the rankings. Provinces should

7 All economic performance variables were calculated based on the General Statistical Office's 2000-2004 Enterprise Census.

8 This is the same methodology used by authors of the Growth Competitiveness Index. See McArthur, J.W. and Jeffrey Sachs. 2002. 'The Growth Competitiveness Index: Measuring Technological Advancement at the Stages of Development.' In the Global Competitiveness Report 2001-2002. New York: Oxford University Press for the World Economic Forum. Due to the high collinearity between sub-indices, researchers were actually unable to run each sub-index individually, instead relying on a procedure known as factor analysis with varimax rotation to create three uncorrelated variables. The factor loadings of the variables were used to calculate the individual impact of the sub-indices which had comprised them.

9 In the 2005 PCI, indicators of initial conditions were grouped together in baskets of variables using factor analysis. This year proxies were used, as they offer a more interpretable indicator of structural conditions. Telephone density and road quality in 1995 were highly correlated, so it made little sense to include them both in the same regression, as the project goal was not to isolate independent impacts of types of infrastructure, but simply initial conditions more generally. Also, early measures of initial conditions were chosen to avoid the analytical problem of endogeneity: the notion that provinces with high performing private sector may have more tax revenue to invest in infrastructure improvements. Distance and Infrastructure were highly influential in explaining private sector performance, but initial human capital offered little explanatory value.

**Table 2. Sub-Index Weights**

	Average Weight	Rounded Weight	Weight Class
PSD Services	17.2%	15%	High
Transparency	16.2%	15%	High
Labor Training	15.3%	15%	High
Pro-activity	13.2%	15%	High
Time Cost of Regulatory Compliance	11.8%	10%	Medium
Legal Institutions	7.7%	10%	Medium
SOE Bias (Competition Environment)	6.0%	5%	Low
Informal Charges	5.7%	5%	Low
Land Access and Security	3.6%	5%	Low
Entry Costs	3.3%	5%	Low
	100.0%	100.0%	

instead focus on improving their absolute scores in both the sub-indices and the PCI, which will of course push overall scores toward the perfect 100. And this can be done, at least in theory, by adopting best practices already found in Vietnam.

Also, more important than the actual scores and rankings are the six tiers of provinces that can be clearly delineated by break points of at least three-quarters of a point or more in the data. These tiers are relatively robust to different weighting schemes, and perhaps provide a more meaningful representation of a particular province's performance, as it difficult to jump from one category to the next due to these large break points. Figure 3. maps out provincial performance according to these tiers, and these tiers are discussed in greater detail below.

This year a new tier termed the 'Excellent' group has been developed to capture the performance of two provinces, Binh Duong and Da Nang which are clearly head and shoulders above the rest of the field. Both of these provinces performed well in almost all sub-indices, and had particularly high scores (above 8) in three or four of the sub-indices. Da Nang recorded quite a low score on the land index, but this was more than compensated for by the strong performance in the other sub-indices.

The second tier ('High' performing group) consists of provinces that performed well on the four most important sub-indices: PSD services, Transparency, Labor Training and Pro-activity, and average on the other sub-indices. Ho Chi Minh City scores poorly on the Land and Informal Charges sub-indices (and to a lesser extent, Entry Costs and SOE bias) but makes up for this by performing extremely well on the Labor Training, PSD Services and Transparency sub-indices. Lao Cai deserves particular note in this group, as it is a newcomer to the PCI. Apart from recording slightly below average scores on Land and Time Costs of Regulatory Compliance, this province otherwise scores consistently well on all other sub-indices, particularly on the SOE Bias and Transparency sub-indices.

The third tier ('Mid-High' performing group) consists of provinces that record mid-high scores across most of the sub-indices, such as Ba Ria - Vung Tau, Bac Giang, Quang Nam and Tra Vinh, or provinces that registered an uneven performance with high scores balanced by low scores. Falling into this latter category is Can Tho which did well on Transparency and PSD Services, but poorly on Proactivity, Informal Charges and Entry Costs. Likewise, Phu Yen registers high scores in Entry Costs and Land, but does very poorly on Time Costs of Regulatory Compliance (lowest ranked) and Informal Charges.

The fourth tier ('Average' performing group) consists of provinces that record a mid-average performance across most sub-indices. As a group these provinces performed quite well on Informal Charges, particularly Ben Tre and Hau Giang (respectively ranked 1 and 2 in this sub-index) as well as Gia Lai, Binh Thuan, Tien Giang and Hoa Binh, but registered well below-average performances in Entry Costs and/or SOE Bias, most notably in Ha Noi, Hai Phong and Dak Lak.

The fifth tier ('Mid-Low' performing group) consists of provinces that as a whole underperformed across most sub-indices. Some provinces in this group did well on the Entry Costs (Tay Ninh and Tuyen Quang) and SOE Bias (Nam Dinh, Cao Bang and Son La). These are first-generation reforms, meaning that provincial leaders have succeeded in promoting firm entry and market access. However the data suggests that they have been less successful at second-generation reforms, such as Transparency and Regulatory Compliance Costs, which enable successful firm growth post registration. And they did quite poorly on third-generation reforms. That is, policy interventions which correct market inefficiencies on behalf of the private sector as a whole and institution building, such as the delivery of key services, labor training, and building confidence in legal institutions.

The sixth tier ('Low' performing group) comprises provinces with firms who are generally unhappy about the business environment and their treatment

by provincial officials. This results in low scores across most sub-indices, although some provinces such as Dien Bien and Kon Tum, may have shown

some advances in first-generation reforms (specifically Entry Costs).

Figure 2: PCI Ranking, 2006

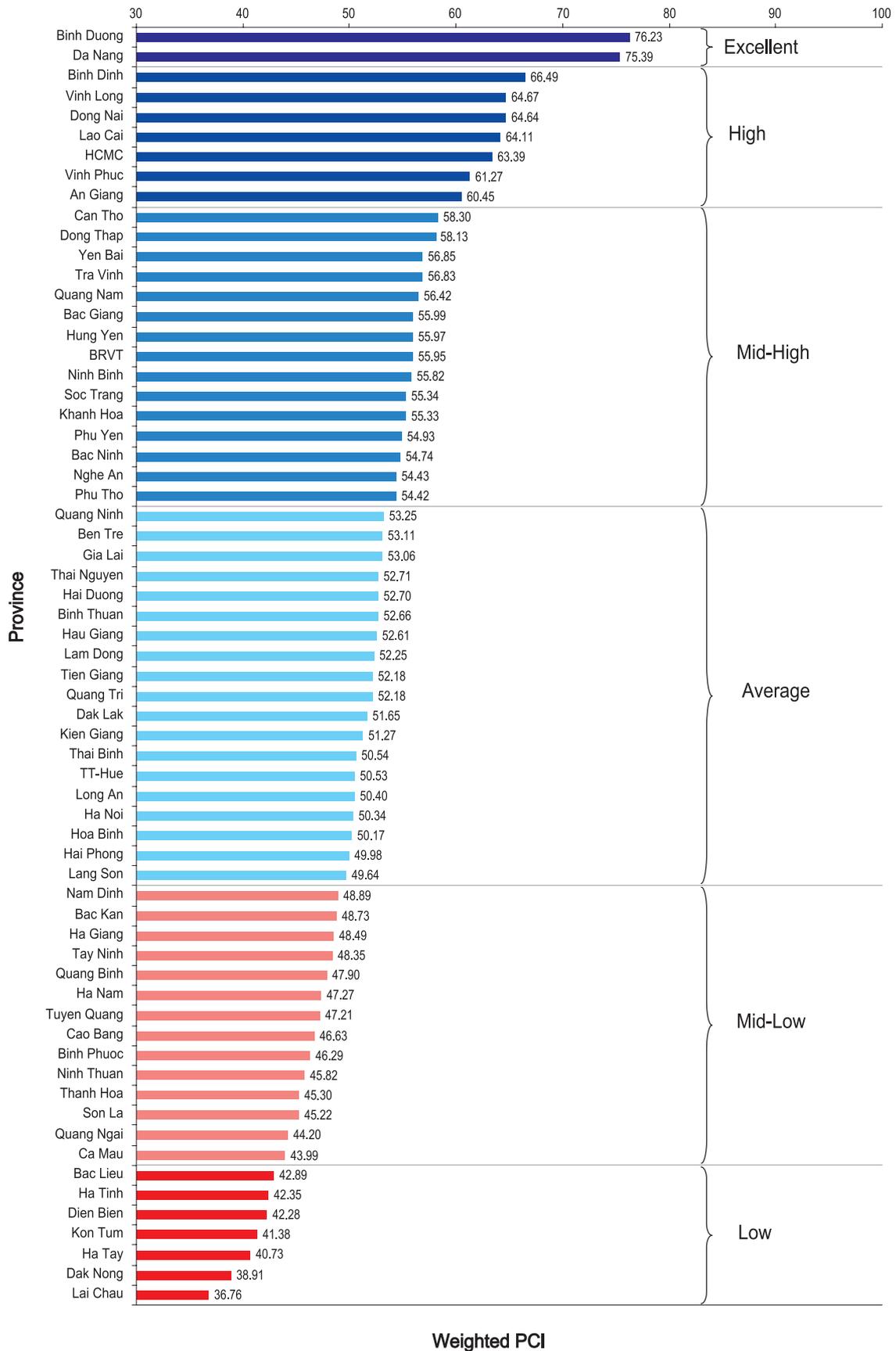
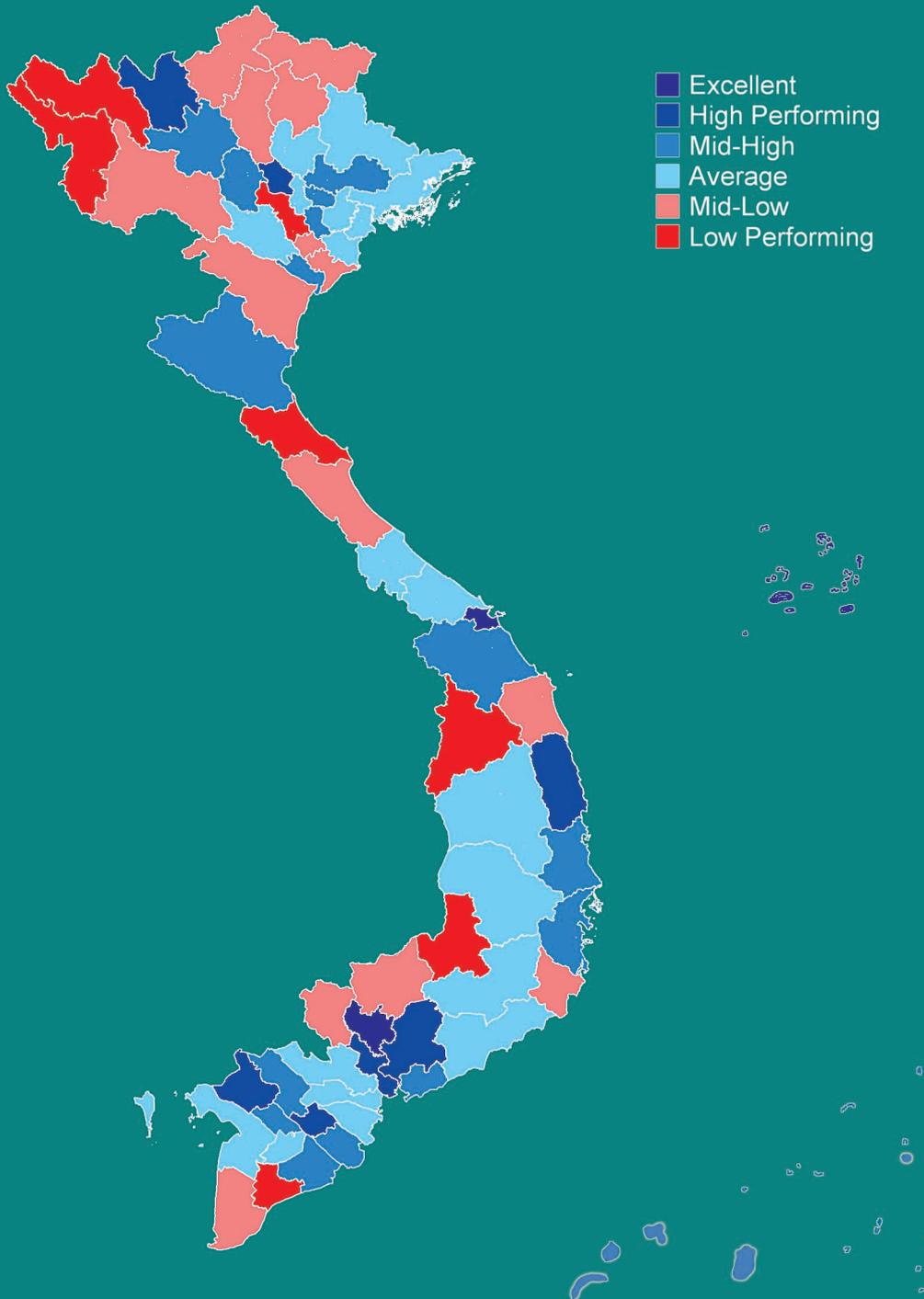


Figure 3: The PCI Map of Vietnam, 2006



## Conclusions

Using the PCI as a guide, provincial leaders should be better able to identify their strengths and weaknesses more clearly. Major gains in private sector performance and economic development can certainly be gained by initiatives to improve scores on the weakest sub-indices.<sup>10</sup> Reforms which improve the supply of skilled labor, improve key services, increase transparency, and allow provincial leadership the flexibility to respond to investor needs will be especially beneficial.

As has been seen over the past year the PCI is a valuable policy tool to undertake diagnostic activities focusing on the economic governance of particular provinces.

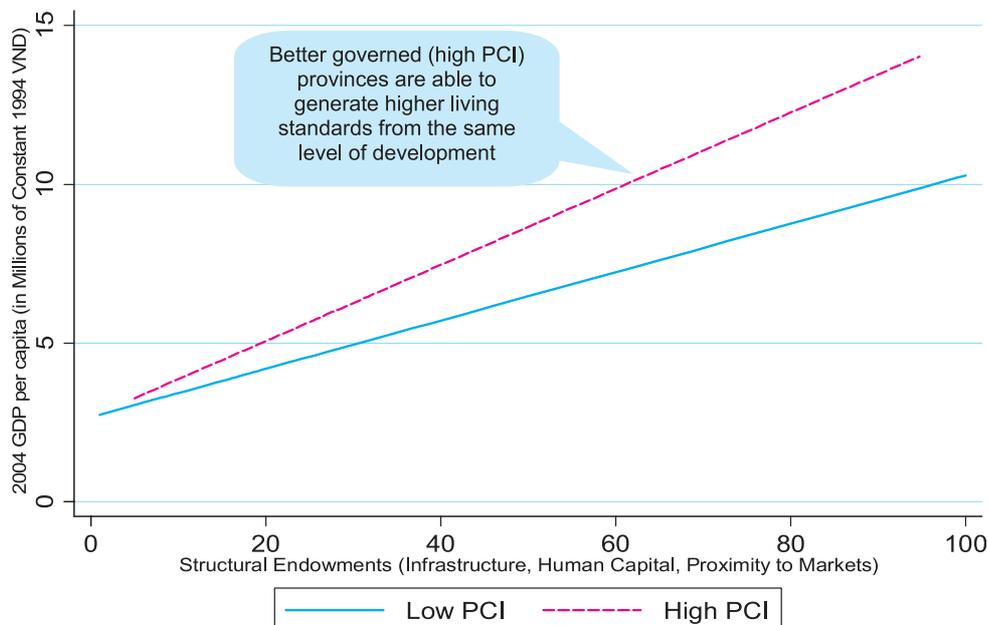
Provinces should begin by looking across the sub-indices to discover their lowest scores, especially if those were in higher weighted categories. Next, they should look at the indicators which comprise the sub-indices to find the most pressing weakness within each sub-index. Finally, the province should work to design provincial activities which address these weaknesses. This has happened to a certain extent, but considerably more can and needs to be done.

One important exercise that lower ranked provinces can do is to learn from their higher ranked neighbors, who due to their geographical proximity face similar

economic constraints. If for example Lai Chau adopted the transparency practices of its neighbor Lao Cai, this would elevate it from the very bottom ranking and into the Mid-Low performing group. Using regression analysis as a predictive tool, we can surmise that same 5.34 improvement on the un-weighted PCI would yield an additional 6 enterprises for every 100,000 citizens in the province. If Ha Tay provided labor training services to a similar standard as its neighbor Vinh Phuc, Ha Tay would increase its PCI score by roughly 5 points (4 points on the un-weighted PCI), which would elevate the province well up the rankings to the Average performing group generating a predicted increase in annual investment per private enterprise of 10.6%. Likewise if Kon Tum adopted similar PSD service delivery standards to that of neighboring Gia Lai, its PCI score would increase by 4 points (un-weighted 2.4) elevating the province to the Mid-Low group and generating a predicted increase in profits of 8.4 million VND per enterprise.

Attention to governance is not just a simple accounting exercise, controlling for initial endowments, as scores on the un-weighted PCI appear to have an important impact on overall provincial welfare measured in per capita GDP. This can be best seen in Figure 4. below which maps out the relationship between a composite measure of development (referred to as structural conditions)<sup>11</sup> and living stan-

Figure 4: PCI Performance and Economic Welfare



10 Indeed using regression analysis to forecast outcomes controlling for structural endowments, a one point improvement on the un-weighted PCI would generate a predicted increase of 1 firm for every 100,000 citizens, a 2.5% increase in annual investment per firm, and a 3.5 million VND (in 1994 VND) rise in annual profits per enterprise.

11 Structural conditions is a composite measure of Infrastructure (telephones per capita in 1995), Human Capital (% Secondary School Graduates in 2000), and Proximity to Markets (Distance in kilometers from Ho Chi Minh City and Ha Noi). These variables were combined together on to a common scale using factor analysis and standardized to a 100 point scale.

dards (GDP per capita) for both high and low performing PCI provinces.<sup>12</sup>

Provinces with high scores on the PCI have a higher standard of living at every level of structural endowments. Put simply, better governed (i.e. high PCI) provinces are able to generate higher living standards from the same level of development. The gap between the two lines can be thought of as a 'governance premium' - the improvements in living standards through better governance, given the same endowments. Perhaps more importantly, Figure 4. shows that the slope of the high-PCI line is higher than the slope of the low-PCI line, indicating that this 'governance premium' actually increases as the province develops.<sup>13</sup> This analysis makes it clear that provincial authorities have an important responsibility to adopt best possible governance practices in order that the local population can draw the greatest benefit from economic growth and development.

## Key Questions and Answers about the PCI 2006

### 1. Why was the response rate greater this year?

In fact, the number of responses is particularly impressive because double the number of surveys were sent out this year in order to make sure that every province had a statistically valid sample. This should have reduced the response rate, but in fact the response rate improved dramatically. There are a number of reasons behind the much stronger response by business to the PCI in 2006:

- ◆ Businesses are now clearly much more aware of the PCI and in particular the impact it is having upon provincial leadership. They, therefore, are more willing to take the time to participate in the survey, despite the sensitive nature of some of the topics being discussed.
- ◆ Many rural and mountainous provinces have been omitted from other research projects studying private sector development. This year's PCI was the first time many of their firms ever had the chance to voice their concerns.
- ◆ More eye-catching colored envelopes and high quality survey paper were used, so that firms could differentiate it from junk mail.
- ◆ A shorter and more focused questionnaire that took less time to fill out.
- ◆ More nuanced sampling techniques to ensure greater effort focused on low-responding provinces

- ◆ Better trained researchers/callers representing a variety of different regional accents, who could respond immediately and accurately to firm follow-up queries and concerns.
- ◆ Better timing of the survey, to occur immediately after the Tet holiday.
- ◆ More attractive books offered as incentives for participating firms.

### 2. Why are the weighting for the sub-indices different?

There are four reasons for the differences in weighting. First, dropping one sub-index (Implementation) and adding to new ones (Labor and Legal) alters the relative explanatory power of the eight original sub-indices. Second, the Land index was revamped with an entirely new dimension used to measure the security of tenure. Third, changes were made in the indicators within each sub-index, as can be seen in Appendix 1. New and better indicators were added in six of the eight sub-indices, while some indicators were dropped. Indicators were dropped when the research team was persuaded by outside experts that the meaning of particular indicators was ambiguous; when data used last year could not be obtained; or when the data was of lower quality than the previous year. Fourth, adding 22 new provinces with, especially many under-developed rural provinces with less valuable land and different sets of firm problems and structural conditions, certainly impacted the importance of particular sub-indices.

Finally, in both the Entry Costs and SOE Bias (Competition Environment) sub-indices, it was determined that certain hard indicators used to anchor firm perceptions were endogenous to private sector performance. For instance, registration data from Entry Costs, even though it accounted for only 25% of the weighted average constructing the sub-index, was highly correlated with the number of active firms. Similarly, the percentage contribution of SOEs to provincial output would decrease directly with growth in the size of the private sector. As a result, any hard data perceived to be endogenous with the dependent variables in the weighting scheme were dropped.

For these reasons, sub-indices explain different portions of the variance than sub-indices with similar names last year. Most noticeably Entry Costs declines precipitously, from 17.1% to 5%. This is a more reasonable estimate of the Vietnamese provincial business environment. Registration and licensing have been streamlined in nearly every province

12 This figure is generated from a regression of GDP per capita (measured in millions of constant 1994 VND) on structural conditions, a dichotomous (dummy) variable for high PCI (province above the median unweighted PCI of 55.12) and low PCI (below 55.12), and their interaction. An additional dummy variable for the province of Ba Ria-Vung Tau is used to control for the high GDP per capita in that province resulting from oil revenues. The results show that the interaction is significant at the .05 level.

13 The area between the two lines can be thought of as the 'dead-weight loss' to society of bad governance, or put in a positive manner, the net economic gain of good governance.

with a great deal of success, but many provincial authorities have yet to put adequate resources toward improving the post-registration business environment (second-generation reforms). The highest performing provinces have moved beyond a narrow focus on improving registration.

### 3. What accounts for the improvement in the Ho Chi Minh City and An Giang scores?

A number of factors have come into play here, but the most important are:

- ◆ The active attention given by both these provinces to updating and improving information provision through their websites. Their efforts this year coincide with a significant improvement in the methodology for scoring of provincial web pages. Specifically, the research team used the *GOOGLE* methodology for scoring the website popularity rather than the often incorrect and easily manipulable self-recording of number of hits on the page. These changes led to improvements in the provinces' transparency scores, which received the highest weight of 15% in this year's index.
- ◆ The changes in weightings described in question 1 also had an impact. Both provinces had improved scores in transparency and private sector development policies, which received the highest weighting of 15%.
- ◆ Ho Chi Minh City specifically benefited from the inclusion and high weighting of the Labor Skills Development sub-index.
- ◆ There was a radical improvement in response rates in both provinces from under 10% last year to just about 20% this year. Due to the newness of the PCI, it is possible that only the most aggrieved firms responded last year, while satisfied firms did not bother. This year we have tapped into a larger portion of the satisfied firms.
- ◆ Both provinces made impressive efforts to improve their local governance due to last year's PCI. An Giang actually had two diagnostics performed by the VNCI research team. This would have contributed to better understanding of the required policy improvements that could be made to improve the business environment for the private sector.

### 4. What accounts for the decline in Ben Tre and Thai Binh scores?

- ◆ Both provinces benefited in 2005 from the high weighting of Entry Costs last year. While they actually received similar scores to last year, the reduced weighting of entry costs lowered their overall scores. It is a clear sign that both of these provinces have room for improvement on the post-registration environment.

- ◆ Both provinces also scored very low on the two new sub-indices of Labor and Legal. Because of the high weight of these new scores, Ben Tre and Thai Binh were hurt relative to their peers.
- ◆ Ben Tre was specifically impacted by the weighting decline in informal charges, where it managed to improve its score a great deal.
- ◆ Thai Binh was injured by the lower weighting for SOE Bias, where it did well both this year and last.
- ◆ The addition of 22 new provinces augments the impact of these declines more than if the number of provinces had remained the same, because four new provinces entered above Ben Tre and 9 entered above Thai Binh.

### 5. Why is Ha Noi ranked so much lower?

This is very difficult to answer, specifically because Ha Noi has received recent plaudits for its improving business environment. The interest of foreign investors in the city was recently profiled in *Time Asia* on May 1, 2006. Nevertheless, the opinions of domestic private investors were actually significantly lower in nearly every area. The only sub-index to improve was in Transparency. All others declined and many declined by a great deal. This is especially true of Entry Costs and Land, where Ha Noi may have been a victim of the modifications in indicators, but it is also true in Proactivity and PSD, where very few changes were made. Ha Noi also scored quite low on the two new indices relative to its peers, with firms showing high distrust in provincial legal institutions. It is the actual decline in firm perceptions rather than any change in the methodology that led to Ha Noi's lower score.

The response rate of Hanoi is almost exactly the same as last year, so it may be that only negative firms continue to respond in the capital, while provinces where response rates have improved have benefited from more satisfied respondents. This seems not to be the case, however, as the actual percentage of positive respondents on individual questions in Ha Noi has declined, not just the relative percentage.

## Appendix 1: Detailed Description of Sub-Indices and Component Indicators

<p><b>1 Entry Costs</b></p> <ul style="list-style-type: none"> <li>▪ % of firms waiting over 01 month to start a business</li> <li>▪ % of firms waiting over 03 months to start a business</li> <li>▪ Effective land wait days (determined by government efforts, not supply/demand conditions)</li> <li>▪ Length of business registration in days</li> <li>▪ Length of business re-registration in days</li> <li>▪ Number of licenses and permits required to operate</li> <li>▪ % of firms having difficulty to obtain all licenses/permits to start a business</li> </ul> <p><b>2 Land Access and Security of Tenure</b></p> <ul style="list-style-type: none"> <li>▪ <i>Land Access</i> <ul style="list-style-type: none"> <li>- % of firms with LURCs or in the process of receiving them</li> <li>- If land is easier to obtain, business would expand</li> <li>- % of firms without LURCs that rent land from the state sector</li> <li>- Firm rating of provincial land conversion policies</li> <li>- % of total land with LURCs*</li> </ul> </li> <li>▪ <i>Security of land tenure</i> <ul style="list-style-type: none"> <li>- Risk of expropriation</li> <li>- Perception of fair compensation values</li> <li>- Risk of change in lease contract</li> <li>- Perception of fair process for disputing changes in lease contracts</li> <li>- Duration of tenure</li> </ul> </li> </ul> <p><b>3 Transparency</b></p> <ul style="list-style-type: none"> <li>▪ <i>Transparency #</i> <ul style="list-style-type: none"> <li>- Transparency of planning documents</li> <li>- Transparency of decisions and decrees</li> </ul> </li> <li>▪ <i>Equity and consistency of application</i> <ul style="list-style-type: none"> <li>- Importance of "relationship" to get access to these provincial documents</li> <li>- Importance of family and friends when dealing with government officials</li> <li>- Negotiations with tax officials are an essential part of doing business</li> </ul> </li> <li>▪ <i>Predictability and consistency</i> <ul style="list-style-type: none"> <li>- Predictability of local implementation of laws</li> <li>- Provinces discuss regulatory changes with firms</li> <li>- Services provided by provincial public agencies on business consulting on regulatory information</li> </ul> </li> <li>▪ <i>Openness</i>: Assessment of provincial webpage. <i>Note that this is worth 40% of the sub-index.</i></li> </ul> <p><b>4 Time Costs of Regulatory Compliance</b></p> <ul style="list-style-type: none"> <li>▪ Days reduced dealing with bureaucracy since the Enterprise Law</li> <li>▪ % of firms spending over 10% of time dealing with bureaucracy</li> <li>▪ Median number of inspections and median tax hours</li> <li>▪ Decrease in inspections since the Enterprise Law</li> </ul> <p><b>5 Informal Charges</b></p> <ul style="list-style-type: none"> <li>▪ Informal charges are a major obstacle to doing business</li> <li>▪ Firms in the same line of business make extra payments</li> <li>▪ % of firms paying over 10% of revenue in informal charges</li> <li>▪ Officials use compliance with local regulations to extract rents</li> <li>▪ Informal charges delivered expected results</li> </ul>	<p><b>6 SOE Bias (Competition Environment)</b></p> <ul style="list-style-type: none"> <li>▪ <i>Perception of bias toward SOEs</i> <ul style="list-style-type: none"> <li>- Provincial government is biased toward SOEs</li> <li>- Provincial government is biased toward equitized companies</li> <li>- Provincial attitude toward the private sector</li> <li>- Attitude to the private sector is improving</li> <li>- Monetary contributions influence attitude toward the private sector</li> <li>- Firm rating of provincial equitization effort</li> </ul> </li> <li>▪ <i>Hard indicators of bias toward SOEs</i> <ul style="list-style-type: none"> <li>- The ratio of local SOE share of liabilities to their share of revenue*</li> <li>- % change in number of local SOEs (2000-2004)*</li> <li>- Average proportion of bank loans to state sector*</li> </ul> </li> </ul> <p><b>7 Pro-activity</b></p> <ul style="list-style-type: none"> <li>▪ Province is good at working within central laws</li> <li>▪ Province is creative and clever in solving problems confronting business community</li> <li>▪ Good initiatives at provincial level but center frustrates</li> <li>▪ No initiatives at provincial level</li> <li>▪ Province involves firm input in coming up with new laws and regulations</li> </ul> <p><b>8 Private Sector Development (PSD) Services</b></p> <ul style="list-style-type: none"> <li>▪ <i>Perception of quality of services provided by provincial public agencies</i> <ul style="list-style-type: none"> <li>- Market information and trade promotion</li> <li>- Technology and technology-related services</li> <li>- Match-making for business partners</li> <li>- Export promotion and trade fairs</li> <li>- Industrial zones</li> </ul> </li> <li>▪ <i>Hard indicators of PSD activities</i> <ul style="list-style-type: none"> <li>- Trade fairs held by province (2004-2005)*</li> </ul> </li> </ul> <p><b>9 Labor Training</b></p> <ul style="list-style-type: none"> <li>▪ Education services provided by provincial public agencies</li> <li>▪ Labor vocational training services provided by provincial public agencies</li> <li>▪ Labor exchange services provided by provincial public agencies</li> <li>▪ Number of vocational schools adjusted for provincial differences in population*</li> </ul> <p><b>10 Legal Institutions</b></p> <ul style="list-style-type: none"> <li>▪ Legal system provided mechanism for firms to appeal officials' corrupt behavior</li> <li>▪ Firm confidence in legal institution</li> <li>▪ Use of legal institutions as primary mode of dispute resolution</li> <li>▪ Number of cases (where claimant was not an SOE or an FIE) per 100 active firms*</li> </ul> <p><i>Note: The first three soft indicators worth 60% of the sub-index and the last one hard indicator worth 40%.</i></p> <p><b>Notes:</b> * denotes component uses only hard data # derived from factor analysis</p> <p>In all sub-indices, each primary component is given equal weight unless otherwise noted. New indicators in PCI 2006 are highlighted.</p>
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Appendix 2: PCI Sub-Indices by Province

	Province	Entry Costs	Land Access and Security of Tenure	Transparency and Access to Information	Time Costs of Regulatory Compliance	Informal Charges	SOE Bias (Competition Environment)	Pro-activity of Provincial Leadership	Private Sector Development Services	Labor Training	Legal Institutions	Weighted PCI 2006
1	Binh Duong	8.49	6.21	8.50	7.12	6.46	7.24	9.08	8.86	6.52	5.46	76.23
2	Da Nang	9.17	4.70	7.68	5.83	6.18	6.47	6.38	9.62	9.60	6.38	75.39
3	Binh Dinh	7.16	6.86	7.97	4.93	6.88	7.50	6.64	8.15	6.18	3.95	66.49
4	Vinh Long	8.44	6.80	6.25	4.91	6.80	7.33	5.10	7.50	7.96	4.86	64.67
5	Dong Nai	7.02	6.27	6.18	4.95	6.99	6.31	6.00	7.76	8.45	3.79	64.64
6	Lao Cai	7.78	5.93	7.80	4.33	6.78	8.40	6.59	7.01	6.46	3.52	64.11
7	HCMC	7.07	5.07	6.97	5.12	6.02	6.35	6.18	7.63	7.35	3.81	63.39
8	Vinh Phuc	7.31	6.30	6.27	3.25	6.13	6.36	7.74	6.31	6.98	4.03	61.27
9	An Giang	7.64	6.37	6.64	4.57	7.00	6.43	7.59	7.06	4.55	3.38	60.45
10	Can Tho	6.55	6.70	6.83	4.87	5.70	6.57	3.52	8.68	5.56	3.80	58.30
11	Dong Thap	7.92	6.38	5.81	3.87	7.44	7.43	6.06	6.30	6.14	3.20	58.13
12	Yen Bai	7.20	6.32	5.99	5.70	6.90	8.30	6.38	4.49	5.12	3.81	56.85
13	Tra Vinh	6.85	6.35	5.79	3.81	6.86	6.46	6.31	6.14	5.85	3.63	56.83
14	Quang Nam	7.76	5.55	4.44	4.32	5.27	6.96	6.61	5.26	5.70	6.31	56.42
15	Bac Giang	8.18	6.01	5.81	4.78	6.32	6.66	4.89	5.31	6.41	4.00	55.99
16	Hung Yen	6.65	6.91	6.49	5.36	7.64	7.82	5.82	5.53	3.89	3.52	55.97
17	BRVT	7.49	5.38	5.43	5.59	5.85	5.70	5.46	5.82	5.56	4.73	55.95
18	Ninh Binh	7.87	5.92	5.11	5.87	6.29	6.17	5.64	4.78	6.60	3.63	55.82
19	Soc Trang	7.82	7.98	5.78	4.00	6.30	7.20	7.31	4.50	4.16	4.06	55.34
20	Khanh Hoa	8.23	5.30	6.02	5.37	6.51	6.36	5.11	6.12	5.08	3.27	55.33
21	Phu Yen	8.83	7.03	6.09	2.64	5.35	6.58	5.09	6.49	5.44	3.73	54.93
22	Bac Ninh	7.25	6.06	6.09	3.04	6.24	6.76	5.75	4.60	6.53	4.14	54.79
23	Nghe An	7.85	5.56	5.78	5.06	6.29	6.15	4.69	4.28	6.53	4.53	54.43
24	Phu Tho	8.32	6.50	5.35	4.73	6.61	6.96	4.59	5.70	5.56	3.70	54.42
25	Quang Ninh	6.81	6.31	4.77	4.74	6.47	6.46	6.03	5.25	4.74	4.30	53.25
26	Ben Tre	7.65	6.20	4.90	3.73	8.35	5.99	6.38	4.42	5.47	3.54	53.11
27	Gia Lai	7.08	6.16	6.03	3.26	7.32	6.36	4.91	5.77	5.06	3.68	53.06
28	Thai Nguyen	7.02	5.66	6.08	3.66	6.18	6.66	3.53	5.25	6.64	4.05	52.71
29	Hai Duong	6.19	6.15	5.81	4.23	5.70	7.28	5.84	5.09	4.52	3.91	52.70
30	Binh Thuan	6.39	5.92	6.71	4.22	7.27	7.06	4.47	4.58	5.64	3.02	52.66
31	Hau Giang	7.67	6.01	5.12	3.97	7.74	6.08	6.79	3.98	4.67	4.06	52.61
32	Lam Dong	7.20	6.97	5.54	4.83	6.56	6.37	3.82	6.39	4.19	3.93	52.25

	Province	Entry Costs	Land Access and Security of Tenure	Transparency and Access to Information	Time Costs of Regulatory Compliance	Informal Charges	SOE Bias (Competition Environment)	Pro-activity of Provincial Leadership	Private Sector Development Services	Labor Training	Legal Institutions	Weighted PCI 2006
33	Tien Giang	5.85	6.43	4.48	4.59	7.25	6.65	5.31	5.76	5.05	3.60	52.18
34	Quang Tri	8.83	5.67	4.93	4.79	6.52	6.85	4.26	4.12	6.78	3.32	52.18
35	Dak Lak	6.48	5.95	4.99	4.83	6.03	6.74	5.87	5.27	4.19	3.74	51.65
36	Kien Giang	7.87	7.72	4.86	4.42	6.63	6.01	5.60	4.88	3.89	3.89	51.27
37	Thai Binh	6.89	5.46	5.27	6.13	6.62	7.17	4.81	3.73	5.13	2.92	50.54
38	TT-Hue	7.52	4.99	5.43	4.40	5.98	6.23	4.63	4.68	5.79	2.98	50.53
39	Long An	7.88	7.07	3.62	3.88	5.68	7.02	5.59	5.63	4.85	3.16	50.40
40	Ha Noi	5.73	4.19	5.60	5.25	5.21	4.70	4.23	6.12	5.24	3.39	50.34
41	Hoa Binh	6.62	6.57	5.13	5.02	7.39	7.30	4.61	3.51	5.16	3.62	50.17
42	Hai Phong	7.38	4.48	6.07	4.41	5.54	5.85	3.76	4.98	5.83	2.98	49.98
43	Lang Son	6.87	4.39	5.65	5.17	6.21	6.50	3.30	5.20	5.07	3.65	49.64
44	Nam Dinh	7.40	5.71	3.63	4.84	6.65	7.54	5.16	4.75	4.48	3.37	48.89
45	Bac Kan	7.21	4.34	3.18	4.60	6.47	7.04	4.02	3.28	6.21	6.55	48.73
46	Ha Giang	7.39	6.19	5.03	3.44	6.01	6.44	4.92	4.87	4.52	3.04	48.49
47	Tay Ninh	8.49	6.26	4.56	3.70	6.12	6.06	4.11	4.42	4.30	5.09	48.35
48	Quang Binh	8.02	6.07	5.46	4.05	7.22	6.17	3.55	3.84	4.92	3.46	47.90
49	Ha Nam	6.58	5.58	6.48	3.90	6.51	6.29	4.79	4.39	2.87	3.09	47.27
50	Tuyen Quang	8.59	5.13	4.04	4.09	6.47	7.02	4.57	5.30	3.43	3.50	47.21
51	Cao Bang	7.65	4.83	4.62	4.70	6.30	7.44	4.38	3.07	5.10	3.07	46.63
52	Binh Phuoc	4.96	6.82	4.36	5.28	6.12	6.37	4.72	4.36	4.13	2.52	46.29
53	Ninh Thuan	7.50	6.66	5.39	3.48	6.08	5.52	2.60	3.84	5.50	3.47	45.82
54	Thanh Hoa	7.83	5.95	4.63	4.73	5.24	6.79	3.11	4.61	3.73	3.53	45.30
55	Son La	7.78	5.94	3.95	3.50	5.82	7.40	4.37	4.65	3.44	3.63	45.22
56	Quang Ngai	6.73	5.99	5.24	4.42	5.44	5.79	2.36	4.57	4.94	2.13	44.20
57	Ca Mau	5.99	5.74	5.07	4.33	6.97	5.73	4.10	3.47	3.65	3.00	43.99
58	Bac Lieu	5.67	6.91	2.53	4.24	6.34	5.60	4.17	4.32	4.30	3.41	42.89
59	Ha Tinh	7.36	5.93	2.86	4.93	5.05	6.22	3.09	3.99	5.10	2.59	42.35
60	Dien Bien	8.82	5.72	4.38	4.19	6.45	5.60	3.24	3.42	3.50	2.99	42.28
61	Kon Tum	8.73	4.95	4.28	3.22	5.17	6.09	3.43	3.33	3.60	3.74	41.38
62	Ha Tay	6.12	4.92	5.56	4.28	5.07	6.70	2.53	3.60	2.92	3.13	40.73
63	Dak Nong	5.56	4.82	2.15	3.81	6.66	5.07	4.15	2.40	4.11	4.83	38.91
64	Lai Chau	7.99	3.84	2.46	3.06	5.20	7.10	4.32	2.96	1.99	4.05	36.76



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