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Enhancing the Provincial Competitiveness Index (PCI) in Cao Bang Province

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Abstract

The Provincial Competitiveness Index (PCI) is a result of collaborative research between the Vietnam Competitiveness Initiative (VNCI) Project and the Vietnam Chamber of Commerce and Industry (VCCI). The PCI is constructed 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, Cao Bang ranked 63rd in

the overall ranking of provinces and cities nationwide, with a score of 59.58, an increase of 3.29 points compared to 2021. The article provides a detailed assessment of the 10 component indicators of the Provincial Competitiveness Index of Cao Bang in 2022. From there, it is possible to see which indicators have increased and need to be promoted, and which indicators have decreased and need solutions to overcome. The article also proposes a number of solutions to improve the provincial competitiveness index of Cao Bang Province.

Keywords: Provincial Competitiveness Index, Cao Bang

1. Theoretical basis

Provincial Competitiveness Index

The Provincial Competitiveness Index, abbreviated as PCI, is constructed to assess the business environment, the quality of economic governance, and the administrative reform efforts of provincial and municipal governments 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 the business outlook, ranks the quality of local infrastructure, and conducts thematic research on a prominent trend or policy that has a major impact on business production and operations nationwide.

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

The PCI 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 (weight 5%); 2) Easy access to land and stable land use (5%); 3) Transparent business environment and public business information (20%); 4) Low informal costs (10%); 5) Fast time for inspection, examination, and implementation of regulations and administrative procedures (5%); 6) Equal competitive environment; 7) Provincial government is dynamic and creative in solving problems for businesses (5%); 8) High-quality business development support services (5%); 9) Good labor training policies (20%); and 10) Fair and effective dispute resolution procedures and maintenance of security and order (5%).

1. Market entry costs (5%): This component measures the difference in market entry costs for newly established businesses between provinces. It measures the time it takes for a business to register, apply for land (in days), obtain all necessary permits, and complete all necessary procedures to start business operations. In addition, the index also assesses the effectiveness of the One-Stop-Shop unit in registering businesses through criteria such as friendly, enthusiastic staff, professional expertise, and clear instructions on procedures at the One-Stop-Shop unit.
2. Land access and land use stability index (5%): This index assesses two aspects: (i) records 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 sources due to the lack of collateral at banks. Accordingly, this index is calculated based on whether or not the enterprise has a Land Use Right Certificate, whether there is enough space to meet the needs of expanding the premises, the actual price in the localities in the relationship between demand and land fund of the locality, and the quality of implementation of land administrative procedures through the criterion of the proportion of enterprises implementing administrative procedures and not encountering any difficulties. (ii) Do 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 making long-term investments on those premises.
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. The assessment of transparency must meet the following five attributes: Availability of information (or the ability of businesses to access information), fairness, stability, predictability of the implementation of policies and regulations, and openness through assessing the level of popularity of the 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; do businesses have to negotiate with tax officials during business operations; the role of associations in policy advocacy and advice; and the openness of electronic information portals.
 4. Time cost for implementing state regulations (5%): Measures the time that businesses have to spend when carrying out administrative procedures, as well as the frequency and duration that businesses have to suspend business operations for provincial state management agencies to conduct inspections, for example, the proportion of businesses spending more than 10% of their time in a year learning about and implementing state regulations; the number of annual inspections; the average time of tax audits; and the general criteria for evaluating the performance of civil servants. used in this index are: Accessibility to planning documents and materials. Is legality easy or difficult? Do businesses need to rely on relationships? Access to documents or not; in the process of doing business, is there any injury? Negotiate with tax officials or not; the association's role in criticism and Policy advice and the openness of electronic information portals.
 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 enterprises. Do the payments of informal costs bring the expected results or "services," and do state officials use legal regulations for personal gain? And criteria for evaluating the performance of civil servants shared.
 6. Equal Competition Index: This part of the index looks at how competitive it is for private businesses when state-owned businesses (SOEs), foreign-invested businesses (FDI businesses), and businesses that know people in the provincial government. This can be seen as special treatment and incentives when getting resources for development like land, credit, and so on, and it also includes businesses that are familiar with these people.
 7. Provincial government's dynamism and pioneering index (5%): This index measures the creativity and intelligence of the provincial government in implementing central government policies, in making its own initiatives to develop the private economic sector, and in assessing the ability to support and apply central government policies that are sometimes unclear in a way that benefits businesses, as well as the effectiveness of implementation of the provincial leaders' policies and guidelines by the provincial departments, branches, and districts. Foreign companies (FDI enterprises) and businesses familiar with government officials provincial level, expressed in the form of specific privileges and incentives when accessing the resources for development, such as land, credit, etc., and receive priority treatment. In implementing administrative procedures and policies.
 8. Business Support Services Index (20%): This component index assesses business support services that play a key role in the success of businesses in their business operations. The assessment of these services is based on three main aspects: The popularity of the service (whether businesses use the service in the province), the level of participation of private providers, and the quality of the service (through the criterion of whether they plan to use the service again in the future). The six groups of services include: Market information search services; legal advisory services; business partner search support services; trade promotion services; technology-related services; accounting and finance training; and business management training. Private providers and service quality (through expected criteria) I will use the service again in the future. 6 service groups include: Market information search service; legal consulting services; support service assistance in finding business partners; trade promotion services; service related to technology; accounting and finance training; and training on business administration.
 9. Labor Training Index (20%): This component index reflects the level and quality of vocational training and skills development activities carried out by the province to support local production and business sectors, as well as to find jobs for the local workforce.
 10. Legal and Order and Security Index (5%): This component index reflects the confidence of private enterprises in local legal institutions, whether businesses view these local institutions as effective tools for resolving disputes or as 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 Cao Bang province

Table 1: PCI index of Cao Bang province 2018-2022

Indicator	2022	2021	2020	2019	2018
Market Entry	6.77	6.67	9.14	7.46	7.71
Land Access	5.98	5.71	5.61	5.18	5.13
Transparency	4.54	5.88	5.54	6.75	6.24
Time Cost	5.70	5.31	6.69	5.69	4.91
Informal Cost	6.43	5.18	5.76	5.43	4.83
Fair Competition	5.40	5.53	6.98	6.35	6.37
Dynamism	6.66	6.32	5.50	5.26	4.20
Enterprise Support Policy	4.95	5.46	6.05	6.48	6.77
Labor Training	5.30	5.16	6.63	6.80	6.42
Legal Institution	7.33	6.68	6.05	6.45	5.66
PCI	59.58	56.29	62.20	63.69	60.67
Rank	63	63	54	54	57

Source: According to the PCI report for 2022

Cao Bang improved its overall ranking of provinces and cities nationwide by 3.29 points to 63rd place in 2022, according to the report on the Provincial Competitiveness Index (PCI) results released by the Vietnam Chamber of Commerce and Industry (VCCI) in collaboration with the United States Agency for International Development (USAID). However, Cao Bang still maintained its rank compared to 2021, being in the lowest group in the national PCI ranking. Of the 10 PCI component indicators, 7/10 indicators increased in score, 5 indicators increased in rank, but the increase in score and rank was not significant, 4 indicators decreased in rank, and 1 indicator remained at the same rank.

Of the 10 PCI component indicators, Cao Bang had 07/10 indicators that increased in score compared to 2021, including: Market entry costs increased by 0.1 points; land access increased by 0.27 points; time costs increased by 0.39 points; informal costs increased by 1.25 points; dynamism increased by 0.34 points; labor training increased by 0.14 points; legal institutions and order and security increased by 0.65 points. Due to the small increase in score, only 5 indicators increased in rank compared to 2021: Land access increased by 2 ranks; informal costs increased by 5 ranks; dynamism increased by 20 ranks; labor training increased by 13 ranks; legal institutions and order and security increased by 4 ranks.

There are 4 indicators dropped in ranking: Market entry cost decreased by 7 ranks; transparency decreased by 26 ranks; time cost decreased by 1 rank; and fair competition decreased by 5 ranks. Only one indicator remained the same, which is business support policy.

The reasons are that the solutions and support policies of the Central Government have not been sufficient to meet the expectations and needs of enterprises; enterprises in the province are mainly small and micro-sized, making it difficult for them to access public services and interest rate support packages from the Government; enterprises are facing pressure from high costs as the prices of goods, services, and credit interest rates tend to increase, difficulties in accessing credit, finding customers, and finding business partners are also challenges for enterprises, which affect the business results of enterprises that have already faced many difficulties in more than 2 years of struggling with the COVID-19 pandemic; the province does not have any industrial parks or industrial clusters with complete investment to serve as a foundation for attracting

investment; organizations, individuals, and enterprises still do not have the habit or are not proactive in submitting online applications, so the rate of online administrative procedures or through public postal services in the province is still low...

To improve the Provincial Competitiveness Index in 2023, the province strives to increase the provincial competitiveness index score in 2023 and improve the ranking compared to 2022; continue to maintain and improve the component indicators belonging to the fairly ranked group; focus on improving the component indicators belonging to the average ranked group; the component indicators with low scores and rankings such as: Land access, transparency, time cost, informal cost, fair competition, business support policy, etc.

3. Conclusion

The Provincial People's Committee has just issued an action plan to implement Resolution No. 02/NQ-CP dated January 5, 2024, of the government on the main tasks and solutions to improve the business environment (BE) and enhance national competitiveness in 2024.

In 2023, with the efforts of the entire political system in improving the BE, creating momentum to attract domestic and foreign investment resources, contributing to the successful implementation of the socio-economic development plan targets and tasks of the province, and at the same time, continuing to focus on effectively Program No. 09-CTr/TU dated November 11, 2021 of the Provincial Party Committee on building and innovating mechanisms and policies to improve the investment and business environment, attract strategic investors, thereby achieving some important results. However, the implementation of tasks to improve the investment and business environment in some units is still passive and lacks determination; the administrative procedure reform (APR) has not really created satisfaction for people and enterprises (Es). Support policies have not fully met the needs of cooperatives.

It is forecast that in 2024, there will continue to be both advantages and difficulties, but the difficulties and challenges will be greater. To strengthen confidence and create more motivation for Es to overcome difficulties, continue to recover, and develop, BE reform requires stronger, more substantial, and more drastic involvement from stakeholders, departments, sectors, and localities. The Provincial People's Committee requests that authorities at all levels identify BE reform and improvement as a key priority task and make real efforts to remove difficulties and bottlenecks for people and.

Accordingly, the guiding principle is to thoroughly grasp, strictly comply with, and comprehensively, drastically, effectively, and practically deploy resolutions of Party congresses at all levels, including conclusions, directives, resolutions, and guiding and instructing documents of the Central Government, the Provincial Party Committee, the Provincial People's Council, and the Provincial People's Committee. Ensure the freedom of business for people and Es according to the provisions of the 2013 Constitution; create a favorable BE for investment, business activities, and the development of new and creative business ideas. Reform in the direction of reducing procedures, time, costs, and risks for Es.

Focus on implementing synchronously and effectively the viewpoints, goals, tasks, and solutions of the 5-year Plan

2021–2025, especially improving the quality of policy making; promoting decentralization and delegation of authority along with resource allocation and strengthening supervision and inspection in accordance with regulations; improving the quality of implementation of legal documents; and focusing on effectively implementing the objectives of Program No. 09-CTr/TU dated November 11, 2021, of the Provincial Party Committee on building, innovating mechanisms, and policies to improve the investment and business environment and attract strategic investors.

Support the private economy to develop healthily, effectively, and sustainably, truly becoming an important driving force to exploit the strengths and potentials of the locality. Create favorable conditions for the development of a contingent of entrepreneurs who are strong in quantity, quality, dynamism, creativity, law-abiding, ethical, and have a business culture with national identity; have social awareness of environmental protection; and make increasingly important and effective contributions to the implementation of local and national development goals.

Focus on directing and assisting Es to swiftly complete investment procedures, particularly those pertaining to planning, land, and site clearance to implement projects (PJs); PJs have received approval from competent authorities for investment policies; accelerate the implementation of significant investment projects with depth to generate growth momentum. Do not issue regulations requiring Es to share information and data beyond the authority and scope specified in legal documents.

Resolutely direct the implementation of administrative reform and the settlement of administrative procedures to ensure timely completion. Tighten discipline, improve effectiveness and efficiency, and enhance the responsibility of leaders in improving the BE. Thoroughly overcome the situation of evading and shirking responsibility in performing official duties. At the same time, it is necessary to protect cadres who dare to think, dare to do, and dare to take responsibility.

The general objective is to effectively implement Resolution No. 02/NQ-CP of the government to enhance the province's competitiveness, contributing to the whole country's goal of improving its ranking in international rankings: Sustainable Development (of the United Nations—UN); Innovation Capability (of WIPO); E-Government (of UN); Property Rights (IPRI) of the Intellectual Property Alliance; Logistics Efficiency (LPI) of the World Bank (WB); Tourism and Travel Development Capability (TTDI) of the World Economic Forum (WEF); and Cybersecurity of the ITU.

Continue to strongly improve the BE, create a healthy competitive environment, rapidly increase the number of newly established Es, reduce the rate of Es temporarily suspending operations, increase the number of Es with innovation, creativity, and digital transformation activities, strengthen confidence, create a fulcrum for recovery, and enhance the resilience of Es. Create momentum to attract investment while creating favorable conditions and attracting maximum social investment resources to the province.

Specific targets: The number of Es entering the market (newly established and returning to operation) in 2024 will increase by at least 10% compared to 2023; the number of Es withdrawing from the market in 2024 will increase by

less than 10% compared to 2023; strive for 100% of units to update business regulation data on the Business Regulation Consultation and Search Portal; The rate of providing online public services throughout the total number of administrative procedures eligible on the National Public Service Portal reaches at least 80%; the rate of online payment on the National Public Service Portal out of the total number of payment transactions for public services reaches at least 45%; the rate of online records out of the total number of records received and processed for administrative procedures reaches at least 50%; The rate of digitization of records and results of administrative procedure settlement reaches at least 80%; the rate of granting electronic administrative procedure settlement results reaches 100%. implement the certification of electronic copies from the original at the commune-level People's Committee and the district-level Justice Department reaches 100%; the rate of exploitation and reuse of digitized information and data reaches at least 50%; the rate of public announcement and disclosure of administrative procedures on time reaches 100%; the rate of processing results of administrative procedure records of ministries, sectors, and localities is fully synchronized on the National Public Service Portal reaches 100%; the rate of handling feedback and suggestions on time reaches 100%; the level of satisfaction in receiving and resolving administrative procedures of people and Es reaches at least 90%.

To effectively implement the above objectives, focus on enhancing the responsibility, proactiveness, and timeliness of agencies and units assigned as focal points and implementing agencies for indicators of administrative procedure reform. Business regulations regularly monitor, report, and evaluate the situation and results of implementation according to the functions of the sector and field in charge.

Focus on implementing key groups of solutions: Focus on implementing administrative procedure reform solutions to facilitate people and Es; promote the application of information technology in state agencies, continue to promote administrative reform associated with building e-government, promote digital transformation of the province; remove difficulties in implementing investment PJs and focus on promoting the construction of a number of key PJs of the province; improve the BE, enhance the provincial competitiveness index (PCI); implement the Provincial Competitiveness Index Assessment Toolkit for departments, sectors, and localities (DDCI); support and develop Es, cooperatives, increase access to and absorption of capital for Es; strengthen investment promotion, trade, and tourism programs to promote and introduce the potentials and strengths of the province.

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