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### Improve the Provincial Competitiveness Index (PCI) in Lao Cai Province

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#### Abstract

The Provincial Competitiveness Index (PCI) is a result of the cooperation between the Vietnam Competitiveness Initiative (VNCI) Project and the Vietnam Chamber of Commerce and Industry (VCCI). The PCI is designed to assess the business environment, the quality of economic governance, and the administrative reform efforts of local governments, thereby promoting the development of the domestic private economic sector. According to the Vietnam Chamber of Commerce and Industry, in 2022, Lao Cai

scored 68.2 points, ranking 11th out of 63 provinces and cities nationwide, up 14 places compared to 2021. The article provides a detailed assessment of the 10 component indicators of Lao Cai's Provincial Competitiveness Index in 2022. From there, it is possible to see which indicators have increased points and need to be promoted and which indicators have decreased points and need to be addressed. The article also provides some solutions to improve the provincial competitiveness index of Lao Cai Province.

**Keywords:** PCI, Lao Cai

#### 1. Theoretical basis

##### *Provincial Competitiveness Index*

The Provincial Competitiveness Index, abbreviated as PCI, is designed to assess the business environment, the quality of economic governance, and the administrative reform efforts of the provincial and municipal governments of 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 provincial and local governments directly influence businesses' production and business activities.

The PCI measures the quality of economic governance of provincial governments in 10 areas that are important for the development of businesses in the private economic sector. Accordingly, a locality is considered to have good governance quality when it has: 1) low market entry costs (5%); 2) easy access to land and stable land use (5%); 3) a transparent business environment and public business information (20%); 4) low informal costs (10%); 5) Fast time for inspection, inspection, and regulations and administrative procedures (5%); 6) Equal competitive environment; 7) Provincial government is proactive 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 efficient dispute resolution procedures and maintenance of public order and security (5%).

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

2. **Land Access and Land Use Stability Index (5%):** This index assesses two aspects: (i) recording the difficulties in finding suitable business production 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 the bank. Accordingly, this index is calculated based on whether the enterprise has a Land Use Right Certificate or not and whether it has enough premises to meet the demand for expanding the premises or not, the actual price level in the localities in the correlation between the demand and land fund of the locality and the quality of the implementation of land administrative procedures through the criterion of the proportion of enterprises carrying out 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 making long-term investments on those premises. Accordingly, this index assesses the risk of land being reclaimed and the level of compensation in the event of land being reclaimed. Carry out administrative procedures and do not encounter any difficulties. (ii) Hit Do land-related policies create "stability in history?" land use", whether businesses feel secure about their use rights long-term use of your land? When businesses are assured of stability, production area, they will confidently make long-term investments in that area. Accordingly, this index evaluates the risk of land acquisition and the compensation price. Satisfactory in case of revocation.
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; whether businesses need to rely on relationships to access documents; whether there is collusion with tax officials in the course of business; the role of associations in policy advocacy and consultation, and the openness of electronic information portals.
4. **Time Cost Index for Implementing State Regulations (5%):** Measures the time that businesses have to spend when implementing 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 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. **Time cost to implement state regulations (5%):** measures the time that businesses have to spend when implementing administrative procedures, as well as the frequency and duration that businesses must temporarily suspend business so that the provincial state management agencies can carry out inspection and examination, for example, the rate of businesses spending more than 10% of their time during the year to learn and carry out procedures. Government's rule; number of calls annual inspections, the average time of tax audits and inspections, and general criteria for assessing the performance of civil servants.
6. **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 businesses' business operations. Does paying these informal costs bring the desired results or "services," and do state officials use legal regulations for personal gain?
7. **Equal Competition Index:** This part of the index looks at how competitive it is for private businesses when there is preferential treatment for state-owned businesses (SOEs), foreign-invested businesses (FDI businesses), 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 other things, and receive priority treatment in implementing administrative procedures and policies.
8. **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 its ability to support and apply central government policies that are sometimes unclear in a way that benefits businesses, as well as the effectiveness of the implementation of for state-owned enterprises (SOEs) and enterprises with foreign investment capital 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.
9. **Proactive and pioneering index of the provincial government (5%):** This index measures the creativity and insight of the provincial government in the process of implementing central policies, in making own initiatives to develop the private economic sector, and at the same time evaluates the ability to support and apply the central government's sometimes unclear policies in a way that is beneficial to businesses, as well as their practical effectiveness. exam of the provincial leaders' policies by the provincial departments, branches, and districts.
10. **Business Support Services Index (20%):** 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 prevalence 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; 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 business management training.

11. **Labor Training Index (20%):** This component index reflects the level and quality of vocational training and skills development activities deployed by the province to support production and business industries. locally, as well as finding jobs for local workers.
12. **Legal Institution and Security and Order Index (5%):** This part of the index shows how much private businesses trust the local legal system, whether they see it as a good way to settle disagreements or a place where they can report harassment by local government officials, and how stable the security and order situation is.

**2. The current status of the PCI index in Lao Cai province**

Compared to the 2021 PCI, both the score and ranking of Lao Cai have improved significantly. Most of the component indicators of the 2022 Lao Cai PCI have

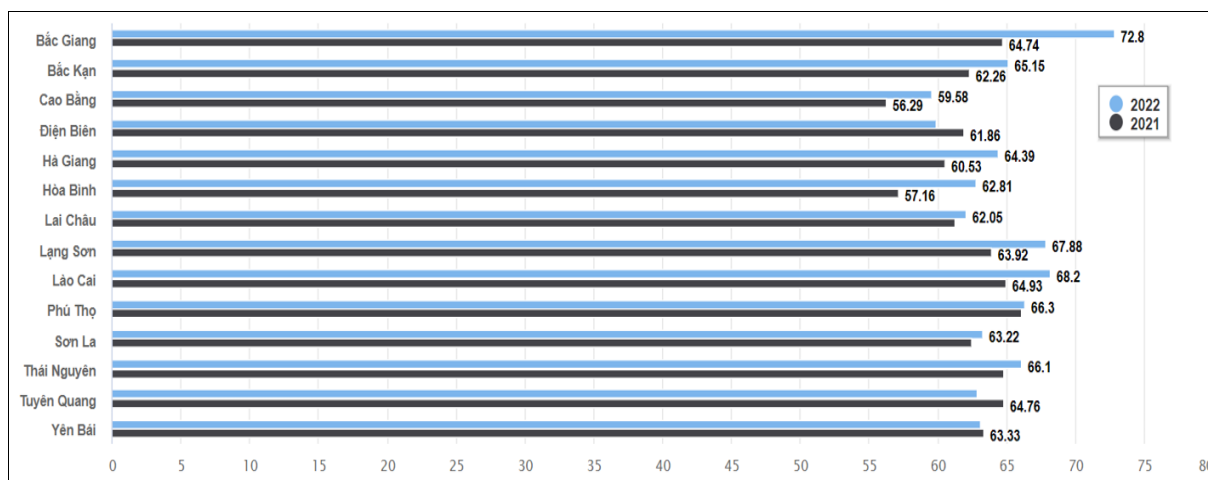
improved, such as: Market entry index 7.37 points (in 2021 it was 6.88 points); land access index 7.62 points (in 2021 it was 7.23 points); transparency index 6.67 (in 2021 it was 6.16 points); time cost index 7.68 points (in 2021 it was 7.54 points); and labor training index 5.70 points (in 2021 it was 5.19). In particular, the provincial government's dynamism index reached 7.66 points, an increase of 1.18 points compared to 2021, leading the country.

**Table 1:** PCI index of Lao Cai province, 2018-2022

Indicator	2022	2021	2020	2019	2018
Market entry	7.37	6.88	7.85	6.56	7.33
Land access	7.62	7.23	6.97	7.11	5.99
Transparency	6.67	6.16	6.55	7.26	6.22
Time cost	7.68	7.54	6.45	5.28	6.87
Informal cost	7.49	7.91	6.53	5.62	6.27
Fair competition	5.78	7.75	5.79	6.06	6.33
Dynamism	7.66	6.48	6.30	7.03	6.67
Business support policy	5.09	6.19	5.89	5.79	6.27
Labor training	5.70	5.19	6.89	7.28	6.39
Legal institution	7.87	8.03	6.80	6.50	7.99
PCI	<b>68.20</b>	<b>64.93</b>	<b>65.25</b>	<b>65.56</b>	<b>64.63</b>
Rank	<b>11</b>	<b>25</b>	<b>16</b>	<b>25</b>	<b>12</b>

Source: Synthesized from the PCI report

There are 3 indicators that decreased compared to 2021, including: Legal institutions decreased by 0.16 points, business support policies decreased by 1.1 points, and informal costs decreased by 0.42 points.



**Fig 1:** Comparison of Lao Cai with the Northern Mountainous Provinces

Lao Cai has focused on synchronously implementing solutions to strongly improve the investment environment towards being friendly, safe, open, and transparent; developing policies and favorable conditions for business operations in order to mobilize maximum domestic and foreign capital for investment and development, serving the goal of rapid and sustainable growth.

Among them, the most important is the radical and substantive transformation of the working style from "management" to "service" to the people and businesses, taking the people and businesses as the center for the development of the locality. Lao Cai has also minimized the time and costs of administrative procedures related to investment and business, especially for inspection, control, and supervision; ensured that the rights of enterprises were respected; and protected the legitimate interests of

enterprises, especially in accessing information on planning, land, etc. Focus on improving PCI, ICT Index, PAPI, etc. Lao Cai province has promptly and synchronously implemented solutions to support businesses. The province has effectively operated a business support team, studied, and proposed specific solutions to support investment and business activities of enterprises, creating trust for investors. Along with building specific preferential policies suitable for the actual conditions when domestic and foreign enterprises and investors come to do business and produce in the area, the province also commits to creating conditions for investors to enjoy incentives at the maximum level according to the current regulations of the state, especially incentives on corporate income tax, personal income tax, import-export tax, land rent, water surface rent, etc. In addition, Lao Cai also strengthens activities to provide

advice, support for business registration, conversion from business households to enterprises, support enterprises to innovate, improve technology, promote the application of information technology, digital transformation, build and develop brands, geographical indications, register intellectual property, etc. At the same time, synchronously and promptly implement policies to support tax, accounting, legal, and credit, especially newly established enterprises. Recently, Lao Cai has also established four working groups to focus on directing and resolving difficulties and problems related to investment and enterprises in the province.

With efforts to improve the investment and business environment, many large corporations with extensive experience and financial resources, such as Sun Group, Alphanam, T&T, Geleximco, Bitexco, TNG, CD, Khoi Nguyen Education, Central Retail Vietnam, Daeji Precision and Industrial Co., Ltd. Korea, Phu Hung Import-Export Production Joint Stock Company, KOSY Joint Stock Company, etc., have chosen Lao Cai as the destination for investment, developing production, and business.

The value of investment registration projects in the province in the period 2020–2030 reached 125,000 billion VND. Investment registration projects focus on the province's strengths, such as the border gate economy, urban development, trade, education, infrastructure construction, resort tourism, and special agriculture.

### 3. Conclusion

With the potential and advantages in terms of land, minerals, border gates, tourism, and transportation, along with an open and suitable mechanism and policy to attract investment, over the years, Lao Cai province has been ranked high, in the top group in terms of provincial competitiveness index (PCI) in the country. However, in recent years, there have been signs of stagnation and decline in some criteria, especially the low efficiency of governance and public administration, hindering investment attraction and socio-economic development in the locality.

To improve and enhance the competitiveness of Lao Cai province, it is necessary to focus on nine solutions, namely: Minimizing market entry costs, informal costs, reducing time costs, improving the dynamism of the government, transparency, easy access to land, good business support services, effective labor training, and shortening the time to resolve complaints and denunciations.

To achieve the above goals, Lao Cai will focus on information and communication work and actively raise awareness and responsibility among leaders, cadres, and civil servants in supporting businesses.

Continue to promote administrative procedure reform; strengthen the supervision of the implementation of processes and procedures at the unit so as not to hinder businesses and people.

Promote the application of information technology; focus on implementing e-customs in the area; disseminate and publicize legal documents on the Electronic Communication Portal, especially on the website "Lao Cai Provincial PCI Electronic Database."

Encourage and create favorable conditions for the development of business support services in the area; promote the role of the Provincial Business Association; build and implement programs to support businesses; foster, improve knowledge, skills, and information; and, step by step, improve the management capacity of enterprises,

meeting the requirements of international economic integration.

Continue to maintain conferences and seminars between local government leaders and businesses to enhance mutual understanding and, at the same time, have solutions to promptly remove difficulties and problems for businesses.

Promote the training of human resources based on the Lao Cai Province Human Resource Development Plan, 2015–2020, approved by the competent authority; sign and organize training cooperation programs between training institutions and enterprises at all three levels of college, vocational secondary school, and primary vocational school with many different occupations, creating more opportunities for choosing occupations.

Continue to improve the quality and effectiveness of handling complaints and denunciations, enhancing the trust of businesses and people in the operation of the judicial system.

Create the most favorable conditions for land access, maintain stability in land use, and flexibly and accurately apply the policy of compensation and site clearance.

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