

# THE VIETNAM PROVINCIAL COMPETITIVENESS INDEX

## A TOOL FOR MEASURING ECONOMIC GOVERNANCE FOR PRIVATE SECTOR DEVELOPMENT

USAID 2007 Economic Growth Officers Workshop  
Washington, D.C., October 15-19  
Helle R. Weeke, DAI



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# Outline

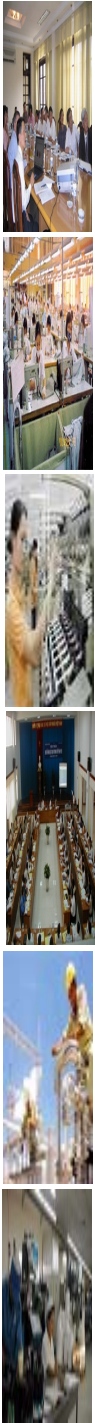
- What is the PCI
- The impact of the PCI
- The PCI in Vietnam
- Using the PCI in other countries



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# Key PCI Lessons

1. Good local economic governance matters
  - Improves living standards
  - Improves private sector performance
  - Attracts new investment
2. Governance reform must be tackled both locally and nationally
3. PCI is a tool



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# What is the PCI?

- PCI is a tool to:
  - Measure local economic governance (not development)
  - Demonstrate that good economic governance matters
  - Identify areas for reform – locally and nationally



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# Two Key PCI Fundamentals

1. The PCI measures economic governance, not development. This allows us to compare provinces on an equal basis despite very different endowments (size, location, etc.)
2. The PCI is based upon best-governance practices already found in Vietnam, not an idealized, and perhaps unattainable, notion of good-governance



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# What Comprises the PCI?

- Survey-data drawn from a representative sample comprising 6,300+ (2006)/6,700+ (2007) private businesses across 64 provinces...
  - using a questionnaire covering various aspects of the regulatory environment for business
- ...combined with various hard (published) data sources....
- ...to generate 10 weighted sub-indices, each representing an important dimension of provincial economic governance in Vietnam.



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# 10 PCI Sub-Indices

1. Entry Costs
2. Land Access and Security of Tenure
3. Transparency and Access to Information
4. Time-costs and Regulatory Compliance
5. Informal Charges
6. SOE Bias (Competition Environment)
7. Pro-activity of Provincial Leadership
8. Private Sector Development Services
9. Labor Training
10. Legal Institutions

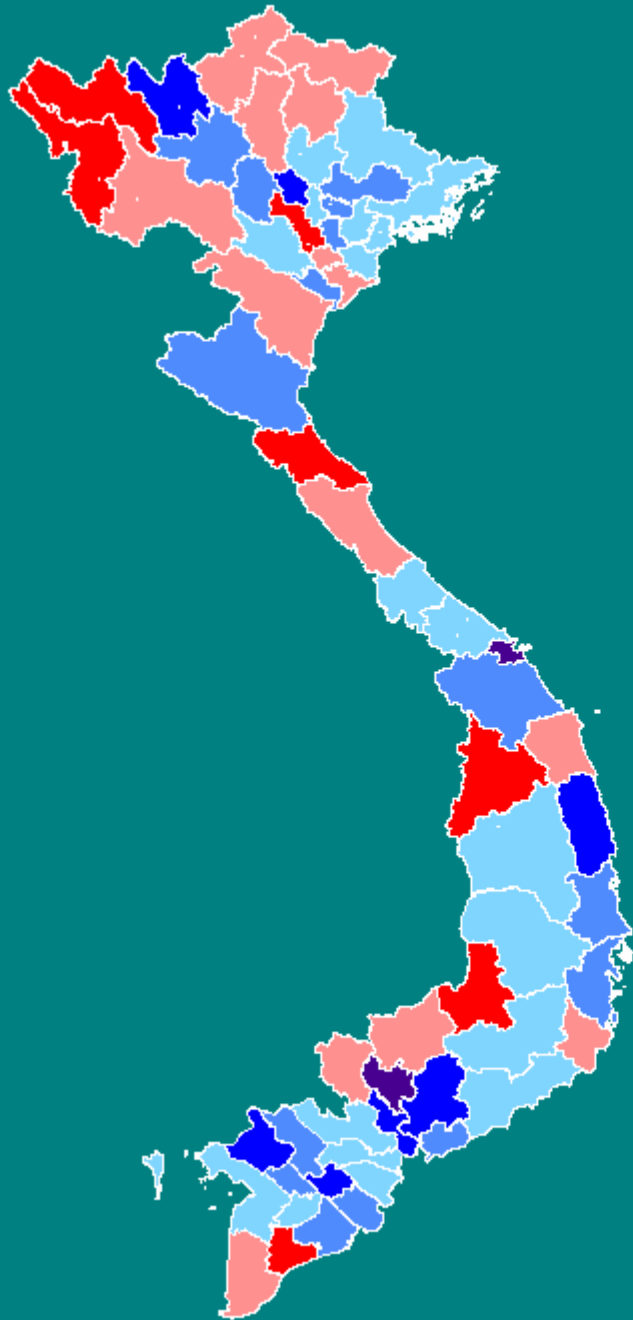


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# The PCI Map of Vietnam, 2006



- Excellent
- High Performing
- Mid-High
- Average
- Mid-Low
- Low Performing

# Findings Over Time (2005-2007)

- Consistency in provincial rankings – top and bottom
- Improved economic governance for private firms – most provinces scored higher in 2007
- Greatest across the board improvements in transparency and time-costs of regulatory compliance
- Time lag between enactment of governance improvements and recognition by firms – app. 2 years



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# Impact of the PCI

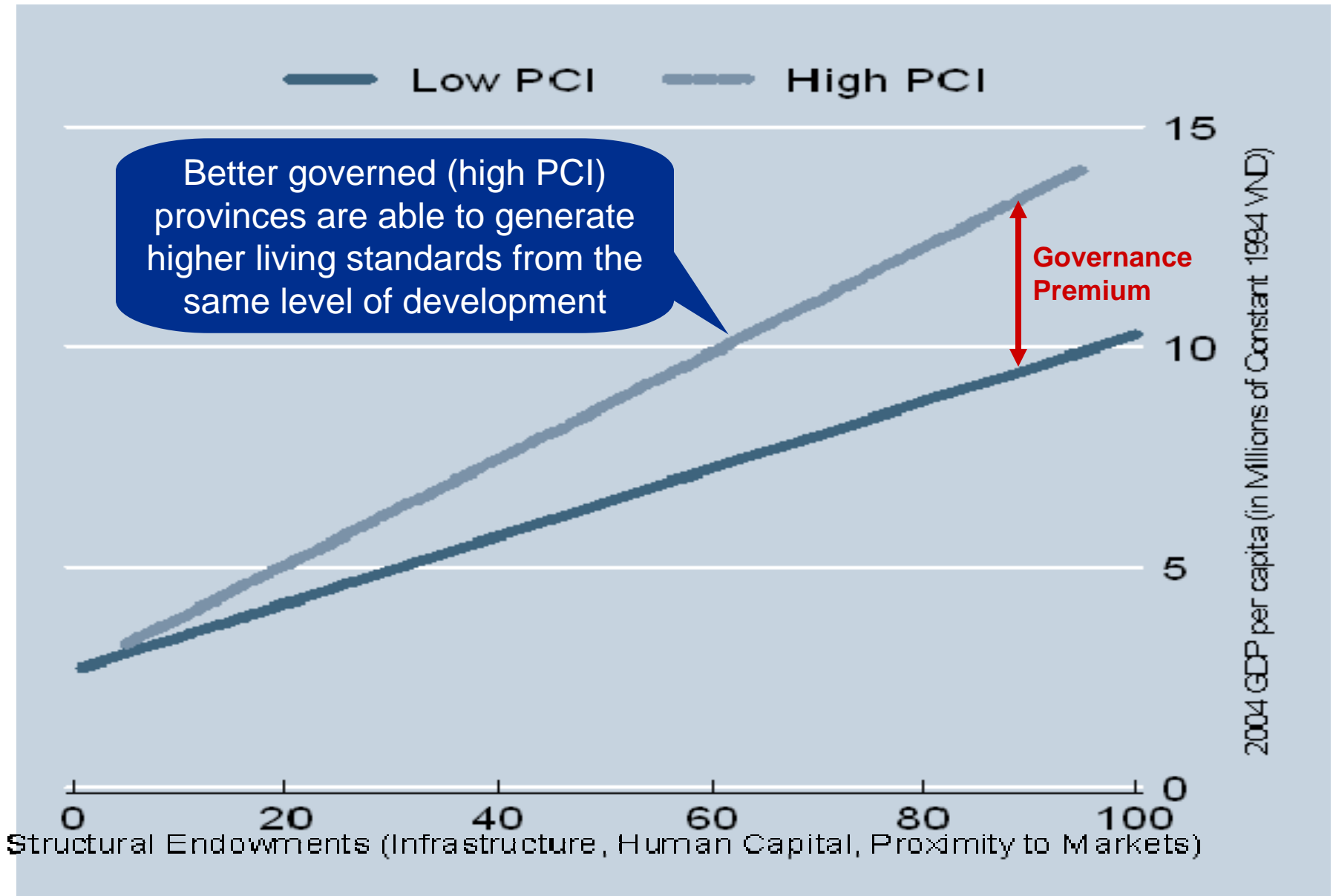
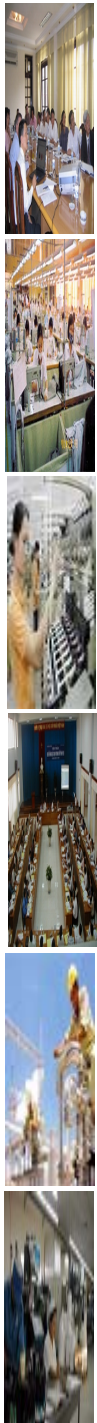
- Improved economic governance
  - Drives provincial reform initiatives to improve economic governance
  - Spurs competition among provinces
- Benchmarks governance progress
- Furthers donor coordination
- A “top ten” economic event in 2006 and 2005 (VTV1)
- Results well publicized <4,000 news articles



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# Economic Governance and Living Standards



# PCI in Vietnam

- Very reliable dataset
  - 2006: <6,300 survey responses
  - 2007: <6,700 survey responses
- Questionnaire tailored to Vietnam; responses based on businesses' experiences
- Strong local partner
- Solid (but complex) methodology
- Index customized for Vietnam
- Consistent findings over time
- Tapped into inter-province rivalries
- Key reformers provided support and checks



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# Leveraging the PCI to Improve Economic Governance - VNCI

- Implications for national policy
  - Regulatory reform
  - Improvements in interactions between public and private sectors
- TIGER
  - Creating standards for improved provincial policy initiatives



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# Where to find the PCI

[www.vnci.org](http://www.vnci.org)

[www.pcivietnam.org](http://www.pcivietnam.org)  
e-mail: [pci@vnci.org](mailto:pci@vnci.org)

Conference CD

PCI 2007 to be released in November



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