

ORGANIZATION

- A Brief Overview of PCI
- Performance of Domestic Private Enterprises
- The 2015 PCI Results
- Highlights of Provincial Economic Governance
- Vietnam Business Environment in the Eyes of Small and Medium Size Enterprises



1 OVERVIEW

of Provincial Competitiveness Index (PCI)

Overview of PCI

What does PCI measure?

Actual provincial economic governance or Governance quality.

Best governance practices already found in localities.

10 Sub-indices

- | | |
|----------------------------|-------------------------------------|
| 1. Entry Costs | 6. Policy Bias |
| 2. Land Access | 7. Proactivity |
| 3. Transparency | 8. Business Support Services |
| 4. Time Costs | 9. Labor Training |
| 5. Informal Charges | 10. Legal Institutions |

Size of 2015 PCI Survey

10,158 domestic private enterprises

among which:

1,823 newly registered enterprises



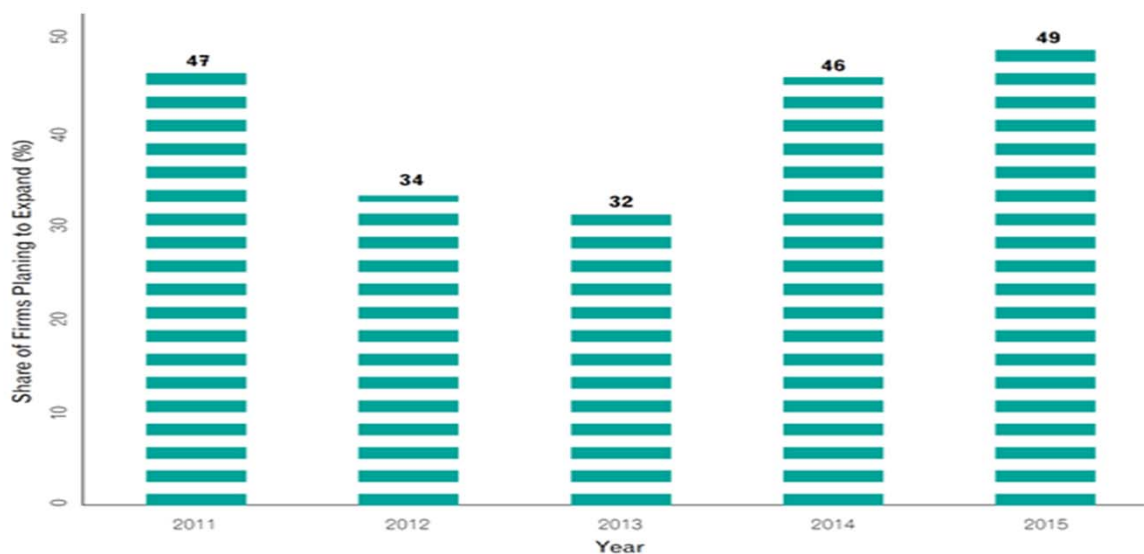
2 SUMMARY

*Performance of
Domestic Private
Enterprises in 2015*

Performance of Domestic Private Enterprises over Time

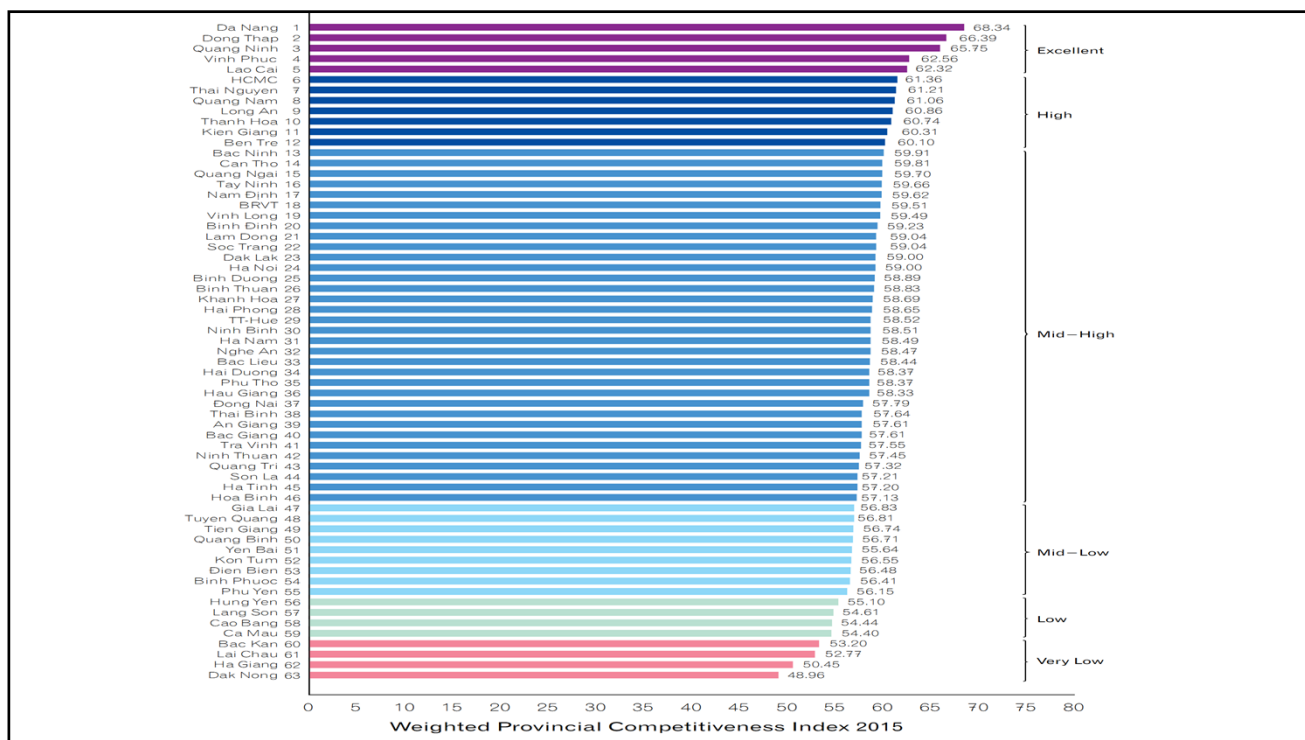
Year	Firms Increasing Investment (%)	Average Investment Size (Billion VND)	Firm Adding Employees (%)	Average Size (Employees)	Firms Reporting Profits (%)	Firms Reporting Losses (%)
2006	27.6	7.25	22.0	31.61	77.5	10.8
2007	27.1	8.10	20.9	33.16	81.1	9.3
2008	29.3	10.20	21.6	40.57	82.3	8.7
2009	15.4	12.02	12.3	45.91	69.2	19.9
2010	22.1	12.72	17.1	47.63	74.9	16.0
2011	14.1	12.16	11.2	45.44	72.9	14.4
2012	6.4	11.11	6.0	26.33	58.9	21.9
2013	6.4	14.86	6.2	28.95	64.3	20.8
2014	10.8	15.09	11.5	26.83	60.3	26.4
2015	10.9	16.53	12.0	26.63	63.1	24.1

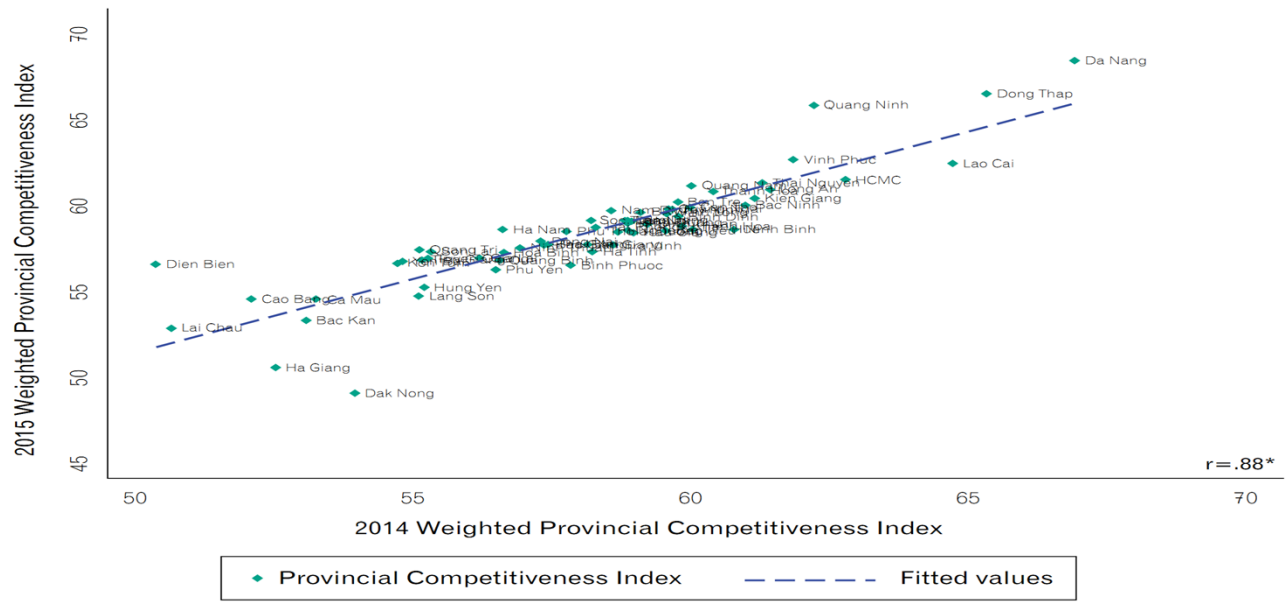
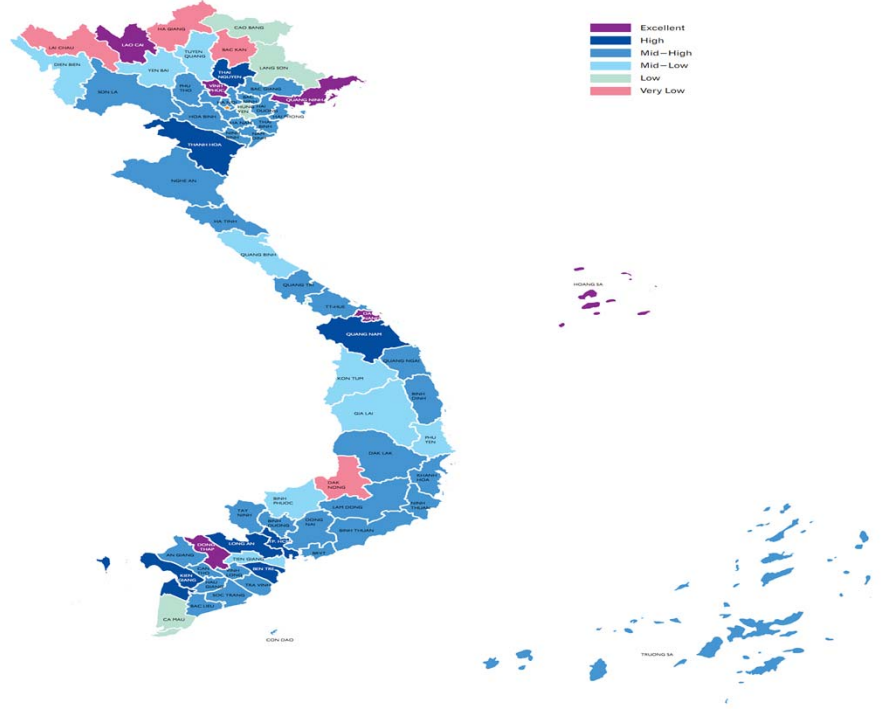
Business Thermometer over Time



3 RESULTS

Provincial Competitiveness Index PCI 2015

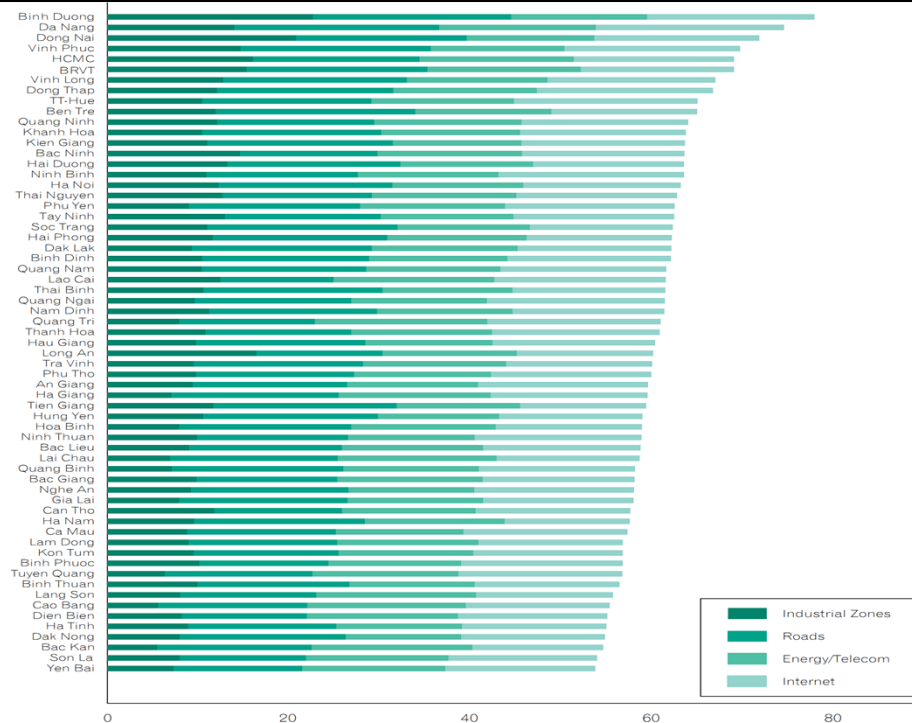




Top & Bottom-Ranked Provinces in Each Sub-Index of 2015 PCI

Sub index	Highest		Lowest	
	Province	Score	Province	Score
Market Entry	Hau Giang	9.23	Ha Noi	7.56
Land Access	Ben Tre	7.82	Ha Noi	4.12
Transparency	Da Nang	7.33	Hung Yen	4.88
Time cost	Dong Thap	8.54	Lang Son	5.06
Informal Charge	Soc Trang	7.12	Ha Giang	3.53
Policy Bias	Bac Lieu	7.29	Ha Tinh	3.35
Proactivity	Dong Thap	7.04	Lang Son	3.32
Biz Support	HCMC	7.00	Bac Kan	4.40
Labor	Da Nang	7.62	Tra Vinh	4.14
Legal Institution	Kien Giang	7.62	Dak Nong	4.48

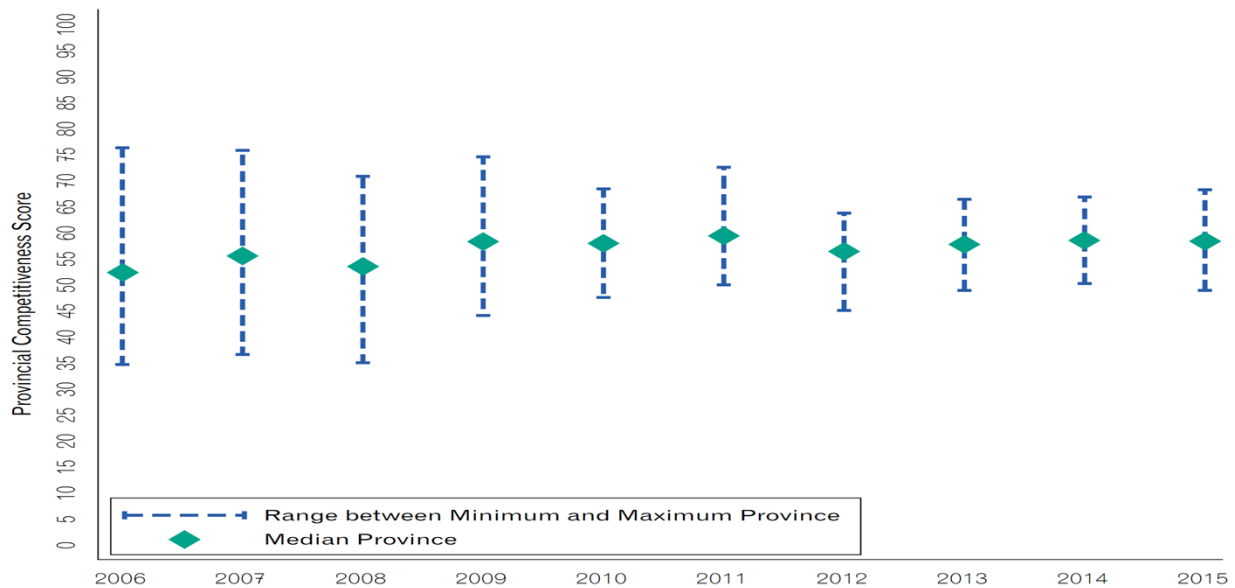
The 2015 Infrastructure Index



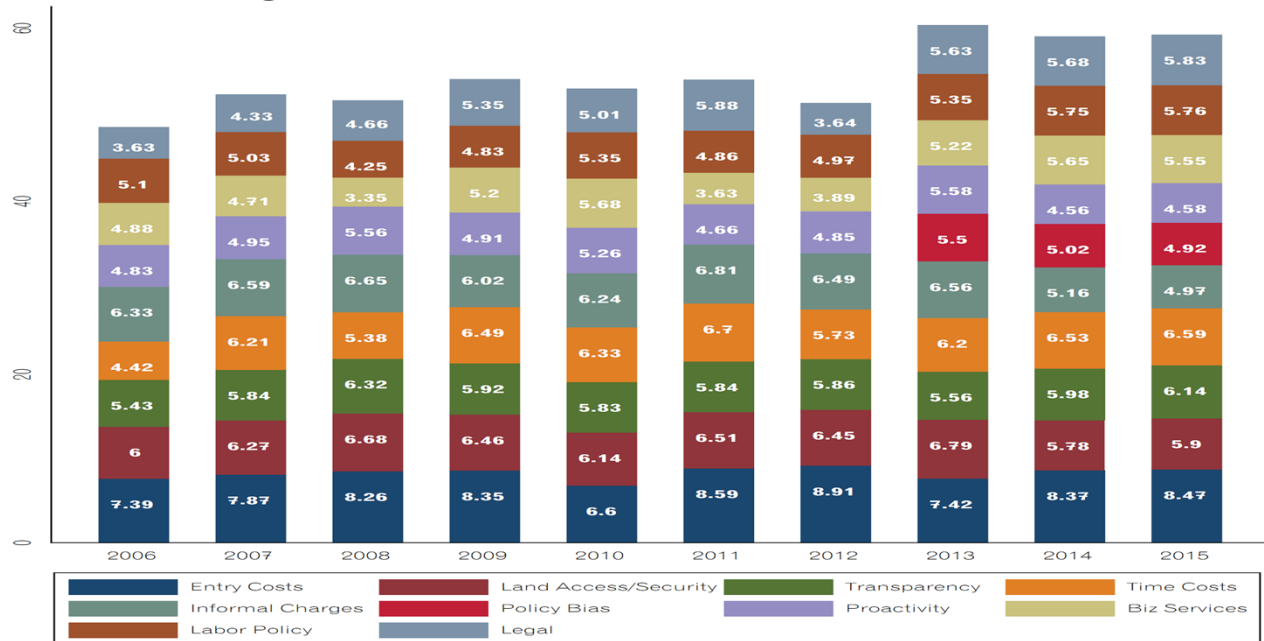
4 HIGHLIGHTS

Provincial Economic Governance over Time

Median PCI Scores over Time



Changes in Scores of Sub-indices over Time



POSITIVE TRENDS IN GOVERNANCE REFORM



2014

Wait time to register a business



2015



2014

Wait time to re-register a business



2015



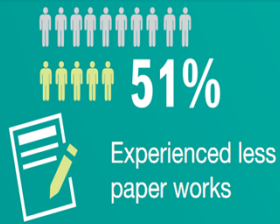
Share of private firms
accessing provinces' websites
increased sharply



Said "Local business associations
play an important role
in countering economic policies."

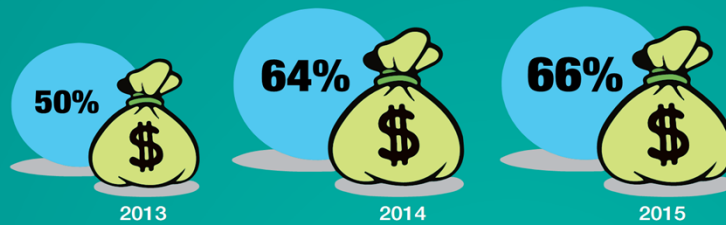


POSITIVE TRENDS IN GOVERNANCE REFORM



Tax inspection time is the lowest in the last 3 years

WORRISOME TRENDS IN GOVERNANCE REFORM



The percentage of firms paying informal charges



WORRISOME TRENDS IN GOVERNANCE REFORM



39%

Said "The favoritism of provincial authorities towards state corporations caused difficulties to their firm's business."



49%

Agreed that province prioritizes FDI attraction over private sector development



56%

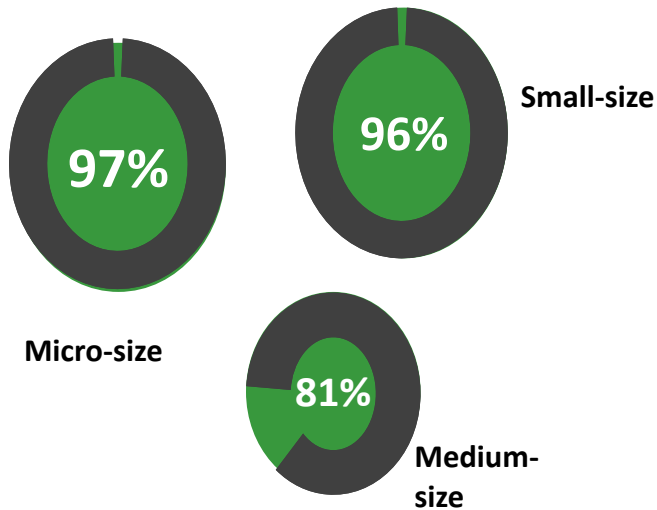
Agreed that big companies received preferential treatment

5 RECAP

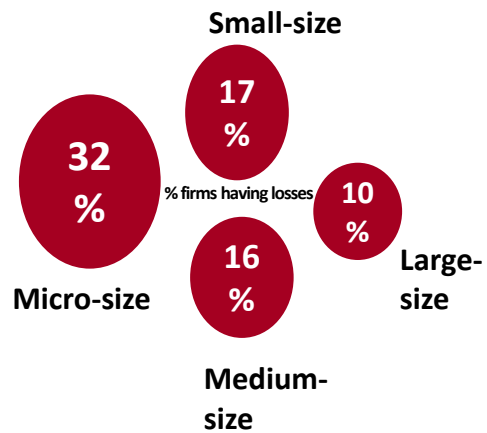
Vietnam Business Environment in the Eyes of Small and Medium Size Enterprises in 2015

Characteristics of Vietnam's SMEs

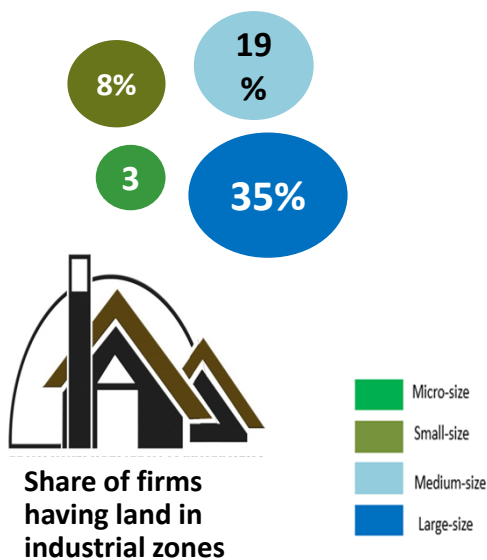
The market share of SMEs is **mostly domestic**



The performance results are **gloomy**



SMEs' Access to Resources



51-61%

Aware of incentive policies

20-30%

Use business support services

SMEs' Access to Resources



75%

Need relations to
access information

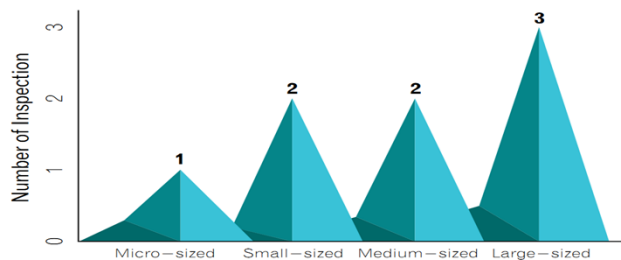


65%

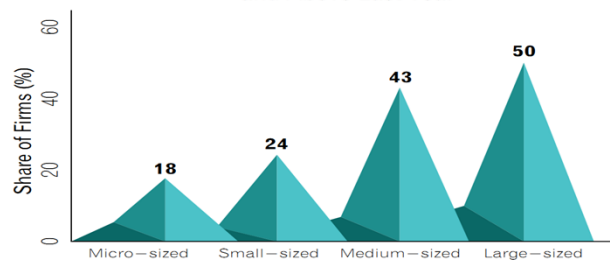
Often pay
informal charges

Reasons for Obstacles of SMEs?

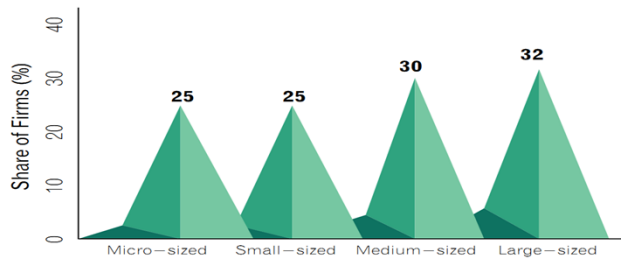
Median Number of Inspections



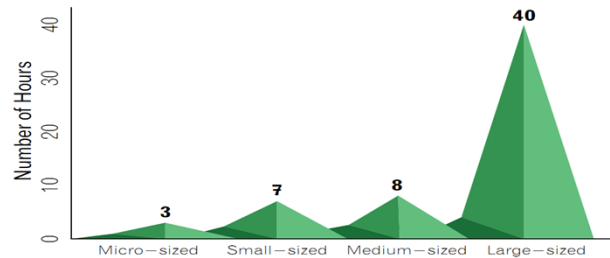
Percent of Firms Receiving 3 Inspections and Above Last Year



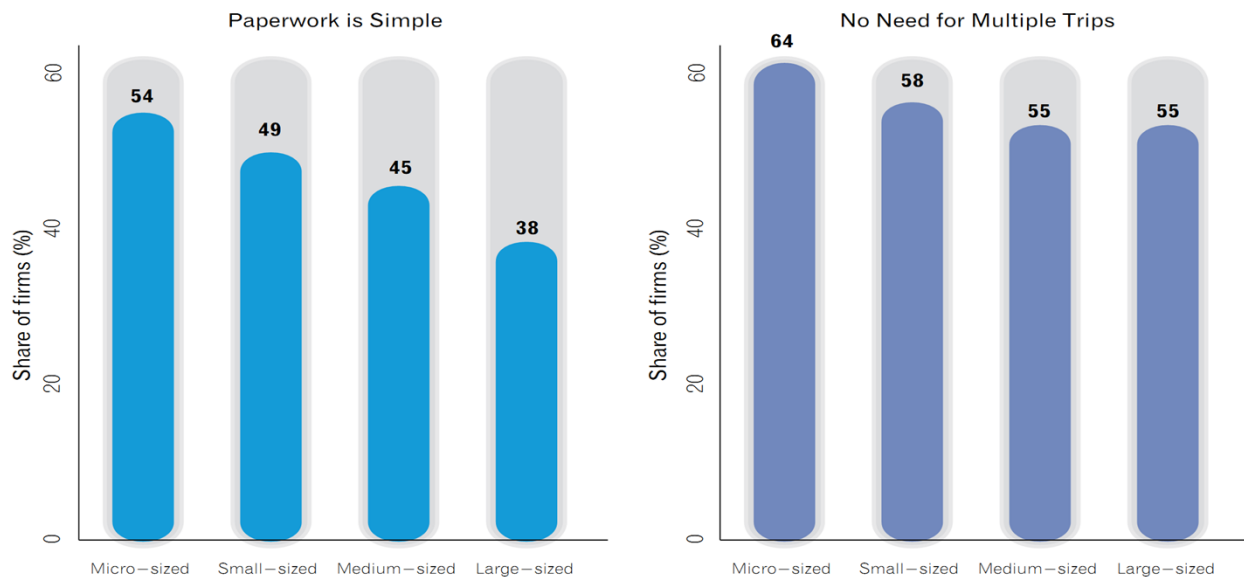
Overlapping Inspections



Median Hours Spent on Working with Tax Inspection



Administrative Burdens



Summary

- Vietnam's business prospect in 2015 is pretty bright
- Speed of economic governance reforms in 2015 is quite stable
- PCI 2015 survey saw improvements in the areas of entry costs, transparency and time costs
- More efforts are required to cut informal charges and create a level playing field for the private sector
- Importantly, it's recommended to create a business enabling environment for the development of small and medium size enterprises



“Drum Beat”- to URGE REFORMS



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PCI2015

Highlights of the PCI-FDI Survey and Trans-Pacific Partnership Module

Author: Prof. Edmund Malesky,
Duke University

Presenter: Dr. Michael Trueblood
USAID, Director, Economic
Growth and Governance Office



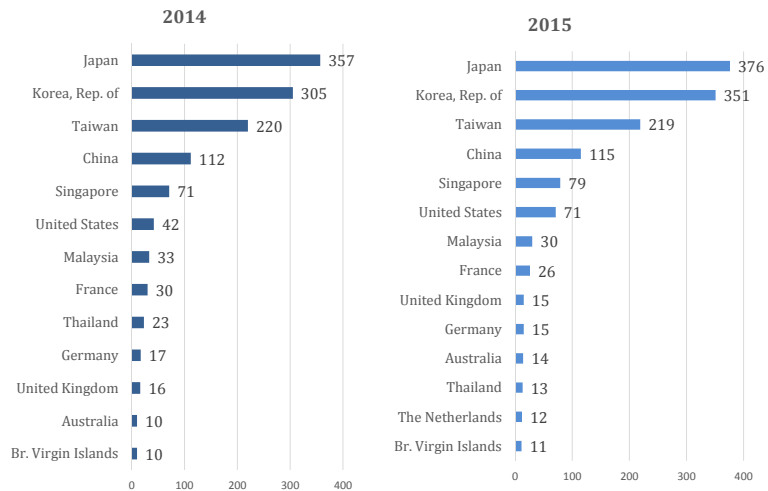
6th Anniversary of PCI-FDI Survey

→ **1,584 Foreign businesses**

→ **43 Countries**

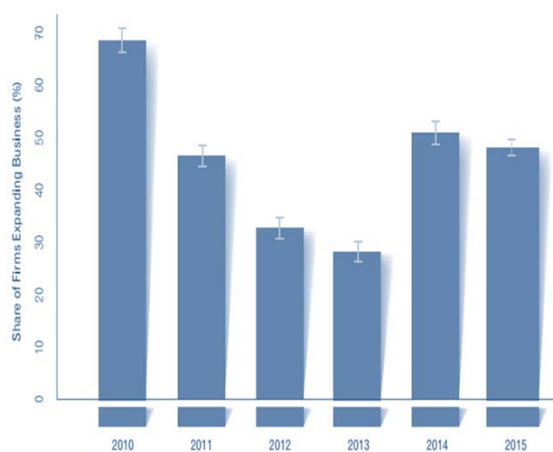
→ **14 Provinces**

Number of Firms Responding to FDI Survey by Country



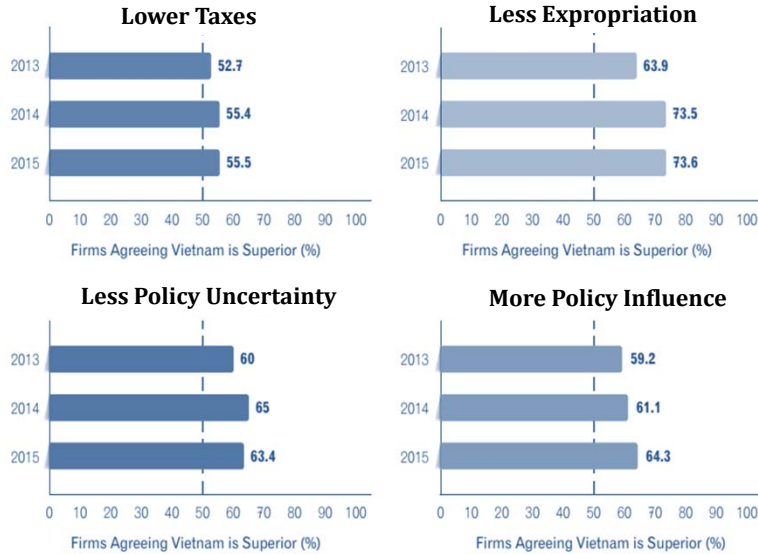
Optimism Remains Pretty Strong

- Capital investment is increasing (11% of firms)
- 62% of FIEs are adding employees
- Optimism is high again.
 - The PCI-FDI Business Thermometer shows almost 50% of FIEs are planning to expand

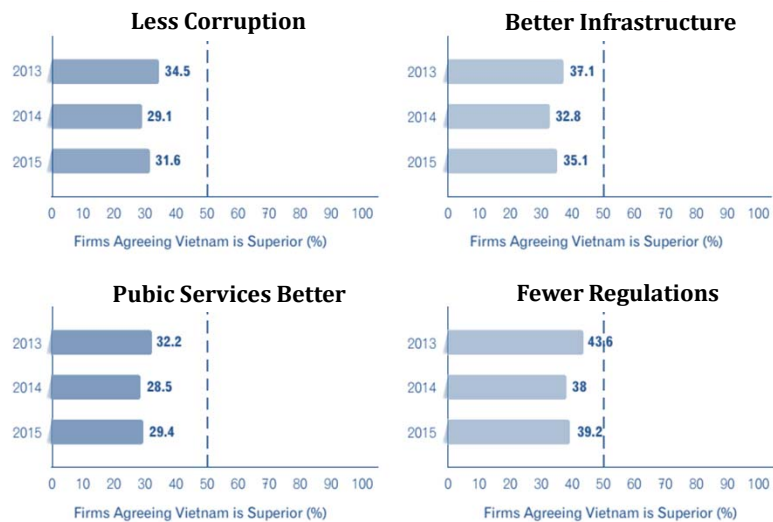




Vietnam's Strengths Relative to Competitors in Four Key Areas



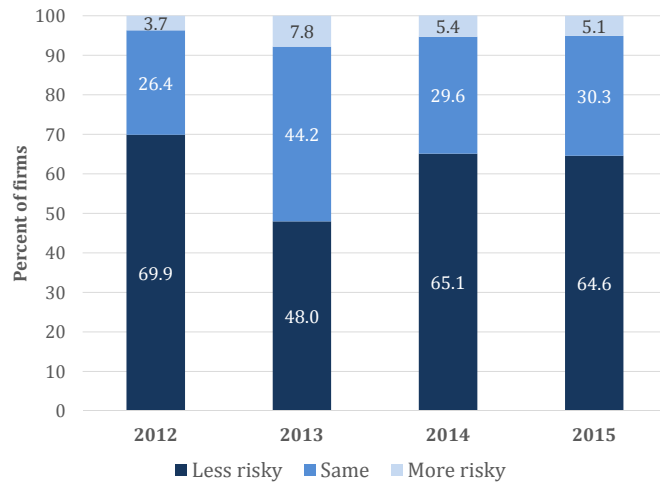
Vietnam's Perceived Weaknesses in Four Other Areas



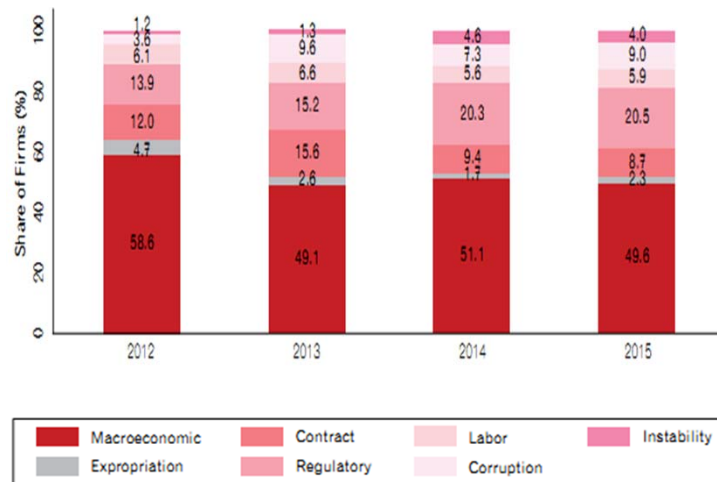
Source: PCI-FDI Survey Question B3A, "How would you compare the business environment in Vietnam to other countries in which you considered investing?"



FIEs See Vietnam as a Safe Place to Do Business



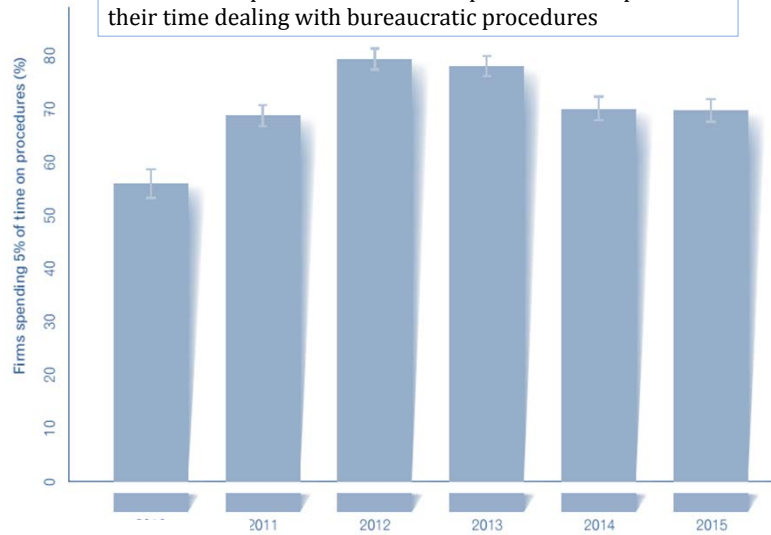
Macroeconomic and Regulatory Risks Continue to Dominate Other Risks in 2015



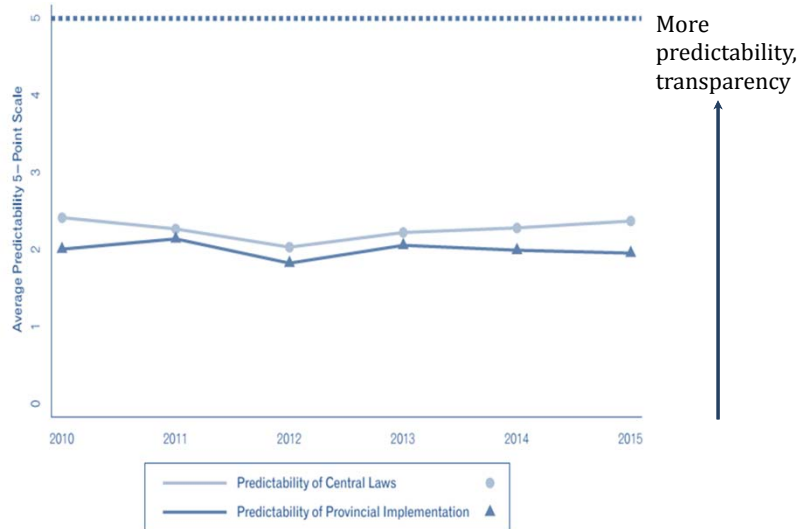


The Regulatory Burden Continues

More than 70 percent of FIE firms spend at least 5 percent of their time dealing with bureaucratic procedures



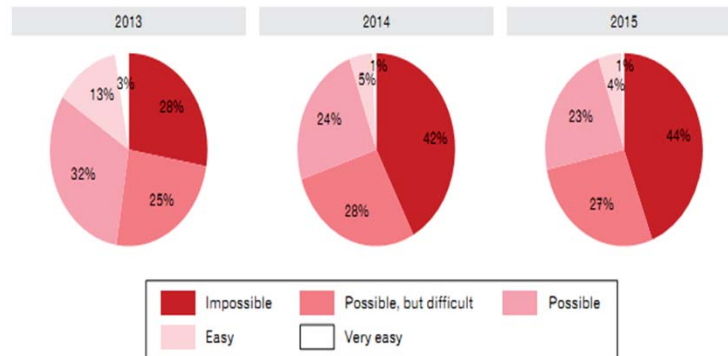
There is Still Room for Improvement on Predictability of Laws



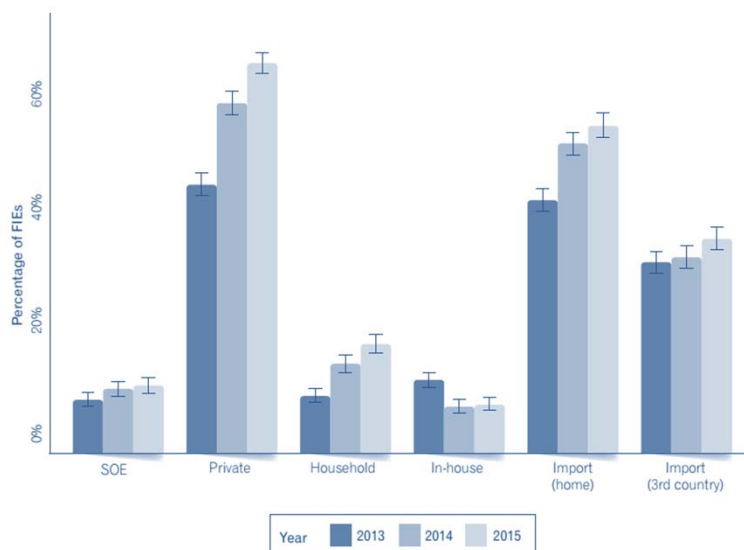


FIEs Find It More Difficult to Access the Provincial Budget

71 percent of FIE firms stated that it was impossible or very difficult to access the provincial budget in 2015, up from 53 percent in 2013



There is Growing Use of Private, Domestic Suppliers for Backward Linkages

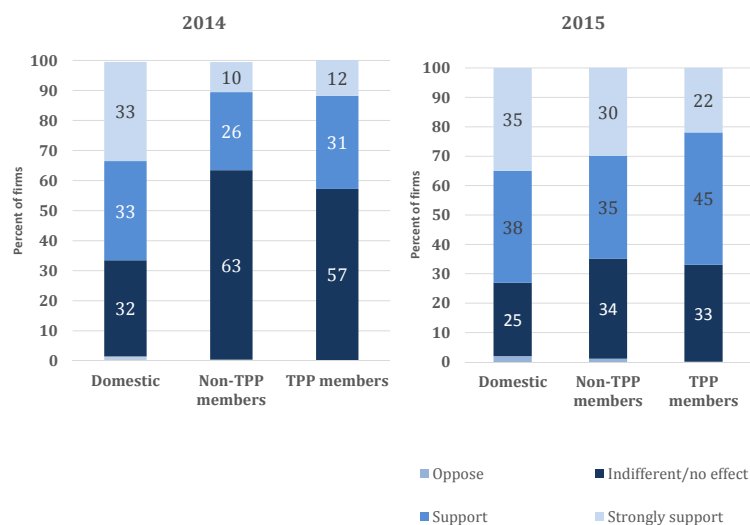


Knowledge About the Trans-Pacific Partnership Varies by Firm Type

Percent of Firms That Are Knowledgeable of TPP

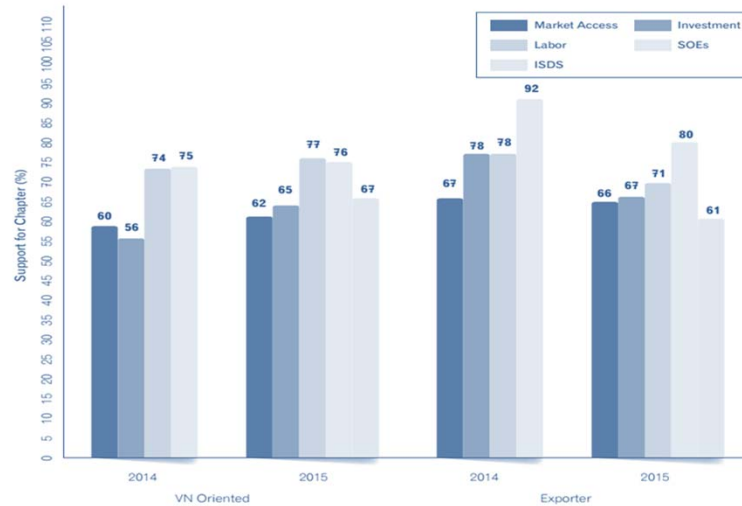
Firm type	2014	2015
Domestic	68	77
Foreign (Non-TPP)	70	82
Foreign (TPP)	71	86

Support for TPP is Increasing Among All Firm Groups





Optimism About Particular Chapters is Growing for FIEs



Summary and Conclusions

- Optimism has rebounded in last 2 years
- Vietnam remains strong on taxes, expropriation, policy uncertainty and firms' policy input
 - Not as strong on corruption, infrastructure, public services, and regulations
- Firms are primarily concerned with macroeconomic and regulatory risks
- Firms do not find laws to be very predictable (transparent) nor provincial budgets easy to find
- Knowledge and support of TPP is increasing, but concerns remain about some chapters



THANK YOU!

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