

Provincial Competitiveness (PCI) of Bac Giang province, Vietnam: Current situation and solutions

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Abstract

The research underscores the significant strides made by the province to bolster its economic competitiveness. Bac Giang's achievement of a remarkable PCI Index of 72.80 in 2022, ranking it second among Vietnam's provinces, is a testament to the potential for further improvement. This index signifies a substantial leap, as Bac Giang had not previously featured in the top 20. The success story results from effective administrative reform and the active participation of businesses and communities, particularly in the face of the challenges posed by the COVID-19 pandemic. A key pillar of Bac Giang's strategy is the continuous dialogue with businesses, effective resolution of issues, and promotion of transparency. Strategic recommendations for Bac Giang to sustain and enhance its competitiveness include further administrative reforms, digital transformation, and increasing public-private dialogues to ensure efficient and transparent governance.

Keywords: Provincial Competitiveness Index (PCI), Bac Giang, Administrative Reform

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1. Introduction

The PCI, also known as the Provincial Competitiveness Index, plays a pivotal role in assessing the economic governance of a province or city. This index, measured by the Chamber of Commerce and Industry of Vietnam (VCCI) with support from the United States Agency for International Development (USAID) in Vietnam, evaluates specific criteria and the government's efforts in administrative reform and improving the business environment. It serves as a compass for developing the private economy, shedding light on why some provinces and cities excel in private economic development, job creation, and economic growth (VCCI, 2023).

Bac Giang, situated in the Northern Midlands and Mountains, a critical economic region adjacent to Hanoi's capital, has made significant strides. Bac Giang's 2022 PCI index soared to 72.80 points, securing the second position out of 63 provinces and cities, marking an increase of 8.06 points and 29 places compared to 2021 (See Table 1). This achievement is even more remarkable considering that in the past 16 PCI announcements, Bac Giang was not among the top 20 leading provinces and cities. Bac Giang's aim to attract investment for economic development and competitiveness has borne fruit. The estimated economic growth rate (GRDP) in 2023 Bac Giang province is a staggering 13.45%, leading the country. The industry-construction sector alone saw a growth of 17.25% (industry alone increased by 18.56%); Agriculture, forestry, and fisheries increased by 2.63%; the service sector increased by 6.56%; Product tax minus product subsidies increased by 7.14% (Bac Giang Statistics Office, 2024).

Table 1. Group of 10 leading provinces/cities in Vietnam's PCI index

Provinces/Cities	PCI index	Ranking
Quang Ninh	72.95	1
Bac Giang	72.80	2
Hai Phong	70.76	3
Ba Ria Vung Tau	70.26	4
Dong Thap	69.68	5
Thua Thien-Hue	69.36	6
Bac Ninh	69.08	7
Vinh Phuc	68.91	8
Da Nang	68.52	9
Long An	68.45	10

Source: VCCI

Bac Giang province has applied several administrative reforms efficiently and is trusted by the business community and people. That is achieved through the Province always having a dialogue with businesses and people through many information channels, promptly resolving difficulties and problems while listening to new opinions and suggestions. Especially during the period of being heavily affected by the COVID-19 epidemic (2021-2022), the resilience of the provincial government has created conditions for businesses here to minimize difficulties and gradually recover partly. In addition, many valuable activities have been organized to raise awareness of the entire government system, providing different perspectives to improve the province's PCI index. Bac Giang is also highly appreciated by businesses for its transparency and legal institutions.

To maintain and further enhance the province's position, Bac Giang needs to continue striving to improve component indicators and drastically resolve difficulties and challenges in the coming time. The article profoundly analyzes the current situation of the component indices of provincial competitiveness in Bac Giang, evaluates the advantages and limitations of the provincial government's management, and thereby proposes appropriate solutions to improve the province's competitiveness.

2. Competitive capacity and methods of measuring competitive capacity

Competitiveness is a multi-approach concept from economic, management, historical, political, and cultural perspectives (Waheeduzzaman & Ryans, 1996); it is a complex, multidimensional concept with diverse relevance and changes over time and context (Herath, 2014; Hollensen, 2020). Competitiveness is also a complex topic that includes research at many different levels: national, industry, local, business, and product levels. Debates about the concept of competitiveness revolve around the perspectives of market share, costs, commercial efficiency, productivity, living standards, or approaches from enterprise capabilities and business environment.

Competitiveness comes from the Latin word competition, which means participation in business competition for markets. With the appearance of the work National Competitive Advantage (Porter, 1990), the concept of competition and competitiveness was reinforced. Historically, the origin of research on competitiveness comes from the international economic theories of Adam Smith and his followers. In the early 1980s, when the development of the American economy became a model used by European and Asian countries to promote the development of national economies, competitiveness Internationalization became a strong driving force promoting growth and economic development (Siggel & Cockburn, 1995; Banterle, & Carraresi, 2007). According to the research development, competitiveness between countries is approached from the perspective of comparative advantage and cost, Production expense, market share, national prosperity, and labor productivity.

Porter (1990, 1998, 2008) provides an analytical framework on the determinants of competitiveness. Accordingly, there are three groups of factors that determine competitiveness, including (i) Natural advantage factors (natural resources, geographical location, scale), (ii) Macro factors (social infrastructure and political institutions, macro policy quality), and (iii) Micro factors (company management and development capacity, industry cluster development level, quality of national business environment).

Table 2. Porter's approach to competitiveness

Micro competitiveness		
Company management and development capacity	Industry cluster development level	Quality of the national business environment
Macro competitiveness		
Social infrastructure and political institutions		Macro policy quality
Natural advantages		
Natural resources	Geographical location	Scale

Source: Porter (1990, 1998, 2008)

In Porter's view, national advantages can directly support the creation of prosperity. These factors also create the overall environment in which an economy and its relative position relative to other economies are determined. The macro competitiveness group defines the general environment or context in which companies operate. These factors include the quality of social infrastructure, political institutions, and macroeconomic policies. This group of factors creates opportunities for productivity-boosting factors to be promoted. The micro competitiveness group represents how companies operate and the external factors that directly impact companies' performance results. This group of factors includes the expertise of the business, the level of development of industry clusters, and the quality of the business environment. All these factors have a direct impact on productivity.

At the enterprise level, the business environment is the external condition that helps businesses and, more broadly, the industry achieve higher levels of productivity and innovation. To evaluate the quality of the business environment that affects industry competitiveness, Porter developed a diamond model with four corners representing four general characteristics of the business environment, including (i) conditions factor input conditions, (ii) demand conditions, (iii) related and supporting industries, and (iv) the context for strategy, structure, and competition.

Global research mainly measures competitiveness based on macroeconomic factors such as institutions, economics, technology, society, human resource factors, infrastructure, logistics, and market size. Many reputable international organizations have introduced indicators to measure the economy's competitiveness, including (i) Global Competitiveness Index (Global Competitiveness Index). – GCI; (ii) World Competitiveness Index according to World Competitiveness Yearbook (WCY); (iii) Index of Economic Freedom (IEF); (iv) Doing Business index; (v) Competitive Industrial Performance Index (CIP); (vi) Global Innovation Index (GII); (vii) Logistics Performance Index (LPI); (viii) The EU regional competitiveness index - RCi; (ix) Global Talent Competitiveness Index (GTCI); (x) World Digital Competitiveness Index (WDC).

In Vietnam, two indices are used to evaluate provincial competitiveness: the Provincial Competitiveness Index (PCI) and the Provincial Public Administration and Governance Performance Index (PAPI). Provincial Competitiveness Index (Provincial Competitiveness Index - Vietnam) is an index that measures and evaluates the quality of economic governance, the level of convenience and friendliness of the business environment, and administrative reform efforts of provincial and city governments in Vietnam, thereby promoting the development of the private economic sector.

VCCI conducts the PCI index with support from Vietnam's United States Agency for International Development (USAID). A group of domestic and foreign experts from VCCI jointly implements the PCI index. The index is published annually, with the first publication in 2005. Currently, the index evaluates and ranks 63 provinces and cities in Vietnam. Built from the most significant annual business survey data conducted meticulously in Vietnam today, the PCI Index is the "collection of voices" of the private business community on the business environment in provinces and cities in Vietnam.

The PCI index is calculated based on the following indicators: (i) Low market entry; (ii) access to land; (iii) transparency; (iv) Time costs; (v) informal costs; (vi) fair competition; (vii) The government's dynamism and pioneering ; (viii) business support policies; (ix) labor training policy; and (x) Legal institutions and Security.

3. Bac Giang's Provincial Competitiveness

According to the 2022 report published by the Vietnam Confederation of Commerce and Industry (VCCI) in collaboration with the United States Agency for International Development (USAID), Bac Giang scored 72.80 and ranked second nationwide, lining up a northern midland and mountainous region. Since 2006, this is the first time Bac Giang has achieved the highest total score, reaching the country's top 10 provinces and cities with the highest PCI.

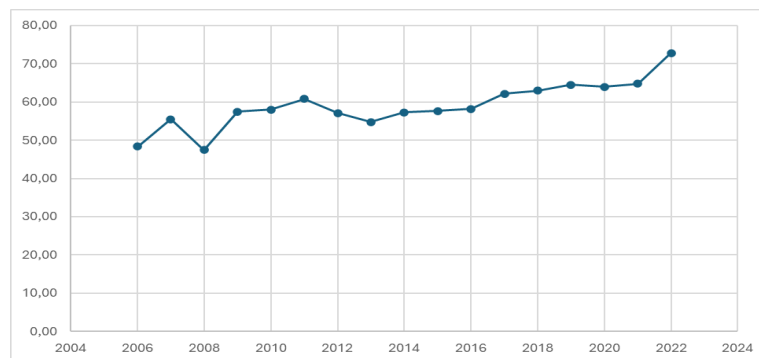


Figure 1: PCI Index of Bac Giang province in the period 2006-2022

Source: VCCI

Figure 1 shows that Bac Giang province's PCI score tends to increase gradually each year, maintaining a stable level from 55.48 (2007) to 64.74 (2021) and peaking in 2022 with 72.8 points. Although Bac Giang province has issued some policies to develop the economy, creating conditions for improving PCI scores each year, the province's scores have only been at an average level until last year. 2021 requires the provincial government to continue making more outstanding efforts to resolve difficulties and bring the locality into the group of provinces/cities with strong competitiveness.

Monitoring the PCI component indexes of Vietnam in recent years, except for the index "Market entry has decreased slightly," the remaining nine components have increased significantly. In particular, the "Dynamics" index increased by 1.96 points, a significant increase, up 58 places compared to the previous year. The two-component indexes, "Unofficial costs" and "Legal institutions," scored 8.02 and 8.60, respectively, ranking first in the country (see Table 2).

Table 2: Ranking in the Bac Giang Provincial Competitiveness Index

Year	2022	2021	2020	2019	2018	2017	2016	2015
Market entry	6.65	6.76	6.99	6.78	7.34	7.82	8.51	8.00
Access to land	7.29	7.09	6.30	6.84	6.66	6.54	5.63	6.05
Transparency	6.30	6.27	5.39	6.85	6.11	6.73	6.04	5.83
Time costs	7.38	6.99	8.68	6.52	7.01	5.70	7.11	6.98
Unofficial costs	8.02	7.74	6.47	6.06	6.16	5.51	5.16	5.76
Fair competition	7.31	5.98	7.89	5.45	4.88	4.72	4.35	4.70
Dynamic feature	7.62	5.66	6.75	6.98	5.55	6.05	4.67	4.71
Business support policies	6.10	6.04	5.82	5.43	6.44	6.06	5.28	5.69
Labor training	6.80	6.33	6.82	7.19	6.54	6.32	6.44	5.65
Legal institutions	8.60	6.99	6.28	6.38	5.90	6.10	4.76	4.64
PCI Index	72.80	64.74	63.98	64.47	63.01	62.20	58.20	57.61
Ranking	2	31	27	40	36	30	33	40

Source: VCCI

To have the above breakthrough and pioneering, Bac Giang has been trying to change the face of the provincial

government every day. Intending to improve the business investment environment, strengthen administrative reform, and enhance provincial competitiveness in 2023, the People's Committee of Bac Giang province issued Plan No. 21/KH-UBND, dated May 11th, 2023, and, at the same time, organized a conference to analyze provincial competitiveness indexes (PCI). The director of the Department of Planning and Investment of Bac Giang province said that the above results are thanks to the province's drastic management in coordination with the direction of the political system from the province to the locality. Bac Giang has reduced the time to resolve administrative procedures for business and investment activities by 30% compared to current regulations. Meet and dialogue with businesses in the province at least once every two years to identify difficulties, report, and advise the Provincial People's Committee to have timely plans to resolve the challenges. The Chairman of the Provincial People's Committee assigned 3 Vice Chairmen to improve 7/10 of the PCI component indexes, directly directing the units to enhance 3/10 (Vietnam News Agency, 2024).

Continue to consistently and effectively implement Resolution No. 105-NQ/TU and Plan No. 293/KH-UBND tasks and solutions to improve the business investment environment and enhance the competitiveness index at the provincial level. In addition, with the task of raising the score of the component index "Enterprise support policies," the specific goal is to raise the score of the index "Procedures to reduce rental prices in industrial zones/clusters" to above or equal to 76.5% (an increase of 0.47 points or more compared to 2022). On July 10, 2023, the Bac Giang Department of Finance issued Plan No. 49/KH-STC on implementing solutions to improve the Provincial Competitiveness Index (PCI) in 2023 (Nguyen Duc Thang, 2023).

The "Labor Training" index in 2022 reached 6.80 points, ranking 5th among all cities. This also motivates the province to continue improving this component's score. The Provincial Department of Labor, War Invalids, and Social Affairs issued many methods to resolve difficulties, specifically as a bridge between the Provincial Employment Service Center and businesses. In addition, they continuously update the situation of their labor needs in the province to analyze and forecast labor supply and demand information on the market. Finally, actively propagate and support businesses in many other forms (Quang Minh, 2023). According to the Deputy Director of the Department of Natural Resources and Environment of Bac Giang province, sectors and localities must perform well in land use and construction planning. Speeding up the progress of site clearance, organizations in charge of compensation and site clearance perform well in preparing land recovery plans, investigating, surveying, measuring, tallying, and notifying land acquisition. Land recovery from establishing a Council, extracting or adjusting cadastral maps, reviewing land use regulations...

Although the ranking has increased significantly, we also recognize some limitations; some component indexes have decreased, such as Market entry. Furthermore, the Business Support Policy index has a score of 6.10 - the lowest in the entire index. This index shows the effectiveness of policies and measures that the government and local management agencies implement to support and create favorable business conditions. This index of Bac Giang province in the past seven years has never exceeded 6.5. The province needs to evaluate tax and fee policies applicable to businesses. Taxes and fees can affect a business's profits and operating costs. Assess the complexity and time to complete administrative procedures. Consider the level of transparency and stability of the law. Evaluate investment support and incentive measures from the government and local management agencies.

In the future, Bac Giang province needs to continue maintaining positive component indexes and improving some low indexes to sustain and enhance its position on the general PCI rankings. This will bring the province's economic competitiveness to new heights and promote economic development.

4. Conclusions and recommendations

By achieving a remarkable increase in the PCI score in 2022, Bac Giang has positioned itself as a leader in economic governance and private sector development within Vietnam. The province's proactive administrative reforms, effective public-private dialogues, and a focus on transparency have significantly contributed to its high ranking. Furthermore, the article underscores the importance of continuous improvement in the PCI components, such as business support policies and legal institutions, to foster a more conducive business environment. Moving forward, Bac Giang's commitment to refining its economic strategies and enhancing administrative efficiency is crucial. The recommendations emphasize the need for ongoing reforms in critical areas like market entry, business support, and legal stability to ensure that the gains in competitiveness are durable and that the province remains an attractive destination for investment. By addressing existing challenges and leveraging its current successes, Bac Giang can continue to enhance its economic landscape and drive further growth, ultimately contributing to the broader objective of national economic development.

Firstly, the government should improve its direction and administration. Departments, branches, and localities follow Resolution No. 105-NQ/TU and Plan No. 293/KH-UBND on reforming the business investment environment. Focus on taking businesses as the center, encouraging, promoting, and creating conditions for businesses to innovate, thereby promoting the local economy. Reforming the business investment environment is a critical task and priority. Continuously inspect and review officials' performance of administrative tasks to eliminate bureaucratic mechanisms and avoid situations where civil servants and public employees intentionally cause business difficulties. Departments and branches must actively organize seminars and meetings to exchange experiences in improving the PCI index with other provinces to learn and exchange experiences to ensure that Bac Giang develops sustainably.

Second, it promotes administrative reform at all levels to ensure streamlining and efficiency, and it applies digital transformation to handling administrative procedures to improve the quality of public services, shortening time and saving money, and meeting the administrative procedure handling needs of businesses and individuals. Departments and branches need to build internal resolution processes for their units, review and eliminate unnecessary procedures and documents, and avoid situations where officials exploit corruption, causing difficulties for people and businesses. Develop and survey participants' satisfaction level in handling administrative procedures, reaching a minimum level of 90%. Implement 100% digitization of the processing process at the 1-stop department at the commune level or higher.

Third, organize 1-2 annual dialogue meetings between authorities at all levels, businesses, and people to obliterate complex bottlenecks. Build online information channels through newspapers, social networks, websites, etc., so that recommendations can be made public, transparent, and resolved more effectively. Establish separate working groups with the primary expertise of solving difficulties for businesses while protecting their legitimate rights, ensuring harmonious interests between both parties by the provisions of law.

Fourth, electronic information portals at all levels should be built. Publicize documents, information, planning, and support policies on economic development that government agencies are responsible for providing to businesses when requested. Maintain a discussion, question, and answer section and a business contact line on the electronic information portal to receive business concerns promptly. According to Decision No. 499/QĐ-UBND dated April 4, 2023, of the Chairman of the People's Committee of Bac Giang province, management agencies need to develop a project called "Communication on the investment and business environment of Bac Giang province in the period 2023-2025. The activities of media agencies in the province are taken as the center, actively combined with provincial and central press agencies, and promptly provide information to promote its role as an official and organized information channel in propagating tasks to improve provincial competitiveness indexes.

Fifth, increase access to land for businesses. In addition to reviewing and evaluating administrative procedures on land, making public and transparent administrative procedures on land, policies on compensation, site clearance, land prices, land funds, and planning, land use plan, it is necessary to build a mechanism to create a reserve land fund, create a clean land fund managed by the State (through the Land Fund Development Center), especially for land areas in the master plan of industry, services, and project planning land areas in the province's list of projects calling for investment. This creates conditions for investors to easily access land and speed up project implementation progress publicly and transparently through auctions and bidding.

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