

For Better PCI for Provinces in The Mekong Delta

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On June 1, 2006, the Vietnamese Chamber of Commerce and Industry (VCCI) and Vietnam Competitiveness Initiative (VNCI) released the Provincial Competitive Index 2006 for 64 provinces and cities in Vietnam. The PCI was first released in 2005 for 42 provinces and cities.

The PCI reflects ability of each province or city to attract investments and develop the private sector and explains why some provinces are better than others in terms of economic growth and development of the private sector. The PCI is based on 10 sub-indices which are as follows: entry costs, proactivity of local leadership, labor training, transparency and access to information, public sector bias, private sector development services, land access and security of tenure, legal institutions, informal charges, and time cost of regulatory compliance.

After the PCI is released, different reactions are recorded but most provinces adopt an active approach. Investors and companies have started to pay attention to this report and consider it as a factor when making business

decisions. Provincial governments view it as a challenge and direction for their effort to improve the business climate of their provinces.

1. PCIs of Mekong provinces

In the PCI 2006, Bình Dương stays at the top position and one of surprises in the Mekong Delta is the improvement made by An Giang, from the 34th to 9th place. Most other provinces in the Delta, however, failed to do so.

Table 1: PCIs of Mekong Delta in 2005-06

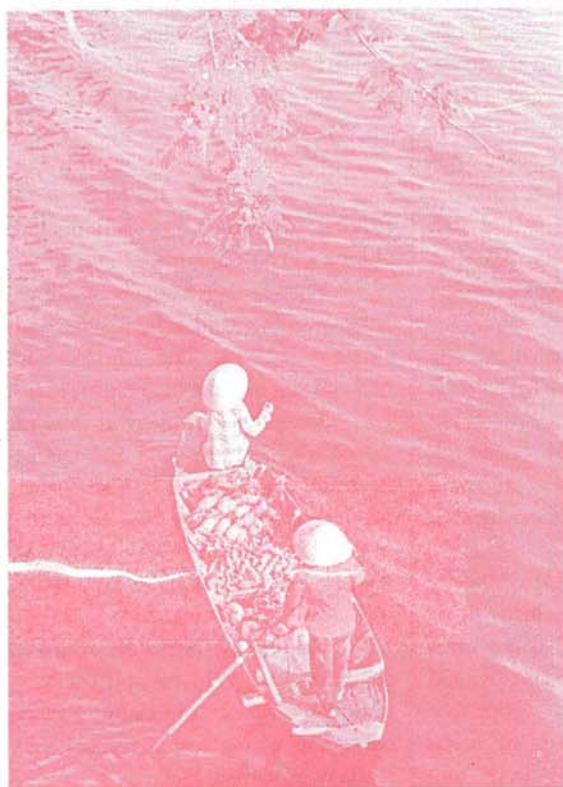
Province	PCI 2005	PCI 2006	Among Mekong Provinces
Vinh Long	3	4	1
An Giang	34	9	2
Cần Thơ	9	10	3
Đồng Tháp	21	11	4
Trà Vinh	26	13	5
Sóc Trăng	28	19	6
Bến Tre	4	26	7
Hậu Giang	Na	31	8
Tiền Giang	27	33	9
Kiên Giang	10	36	10
Long An	22	39	11
Cà Mau	Na	57	12
Bạc Liêu	Na	58	13

The Table 1 shows that only four out of 13 provinces in the Delta improved their positions. According to estimates presented in the report, two provinces in the Delta are considered as good, five rather good six medium, one relatively poor and one poor; and none very good.

The Table 2 shows limitations of these provinces in detail.

Table 2: Some sub-indices of Mekong provinces and Bình Dương

Province	Private sector development services	Proactivity of local leadership	Labor training	Transparency and access to information
Bình Dương	8.86	9.08	6.52	8.50
An Giang	7.06	7.59	4.55	6.64
Bạc Liêu	4.32	4.17	4.30	2.53
Bến Tre	4.42	6.38	5.47	4.90
Cà Mau	3.47	4.10	3.65	5.07
Cần Thơ	6.30	6.06	5.56	5.81
Đồng Tháp	6.30	6.06	6.14	5.81
Hậu Giang	3.98	6.79	4.67	5.12
Kiên Giang	4.88	5.60	3.89	4.86
Long An	5.63	5.59	4.85	3.62
Sóc Trăng	4.50	7.31	4.16	5.78
Tiền Giang	5.76	5.31	5.05	4.48
Trà Vinh	6.14	6.13	5.85	5.79
Vinh Long	7.50	5.10	7.96	6.25



As for policies to develop the private sector, most Mekong provinces have tried to give more support to this sector but their efforts didn't produce good results. Some IPs have been built but infrastructure and other conditions are not attractive enough.

Local leadership has no initiative to implement policies on the private sector because they are too cautious about encouraging this sector. In addition, local authorities lack cooperation in this task and always wait for more detailed guidelines from the central government.

In recent years, many Mekong provincial authorities have taken measures to enhance quality of the human resource but their efforts fell short of expectations. Most laborers in the Delta are not well trained and all provinces are facing great shortage of skilled laborers and technicians while there is surplus of manual labor, especially in rural areas.

Regarding the transparency and access to information, most Mekong provinces gain poor marks because local authorities failed to create a level playing ground for all social classes and ensure interests of companies. In fact, most companies find it hard to get access to official information and legal documents relating to their businesses although they can predict the implementation of new policies. In addition, the information from most websites run by local authorities is poor and obsolete, which provides no help for companies.

2. Problems to solve

In improving their PCI, local authorities need not pay attention to their ranks and should realize that this is a long-term effort. The biggest problem is how to improve the business climate in the province, thereby getting better marks for the sub-indices. In my opinion, the following problems need to be solved.

a. Transparency and access to information: Information about development projects and socioeconomic development plan must be supplied to local companies in order to help them work out their long-term business plans and encourage them to take part in, or contribute to, the master plan for development. All regulations and policies on matters relating to the business circle (tax, land use, incentives, investment projects, etc.) must be transparent. The best way is to supply the information through websites of provincial governments. In addition, public services and administrative procedures could be done online in order to develop the government-to-business relations, thereby saving time and energy for both authorities and companies.

b. Development of the private sector: Local authorities should take measures to promote export and find markets and partners for companies. It's worth noting

that most companies in the Delta are of small and medium size with limited financial strength, that is why they are badly in need of support in terms of technologies and marketing. In 2006 Vinh Long and An Giang gained high marks for this sub-index because provincial government adopted policies to support private companies and started building industrial estates. Major projects should aim at providing better conditions for the public and all companies instead of supporting the public sector only.

c. Labor training: Authorities should determine what key industries in the province are, thereby providing a basis for working out a strategy to train laborers accordingly. Incentives and preferential treatment could be given to vocational centers. For the time being when facilities for vocational training are still lacking, short-term courses in techniques needed for carrying out development projects could be given to new recruiters. This practice is not costly and feasible because it is based on available employment opportunities.

d. Proactivity of provincial leadership: All policies adopted by the central government must be carried out with the aim of providing better conditions for the business circle. Civil servants must be trained in economic management and administration. Provincial governments had better recruit experts in various fields in order to form an advisory team or think tank if need be ■

