



SUCCESS STORY

Study Examines Competitive Landscape

A new business index sparks lively debate on economic reform



Tran Xuan Gia, head of the government's economic research board, discusses the Provincial Competitiveness Index during an event in Hanoi to introduce the index.

A study on competitiveness helps government officials measure Vietnam's economic progress.

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Since Vietnam began adopting widespread reforms, the country's economy has achieved impressive growth. However, much of this progress has been concentrated in a handful of major locations and industries.

Vietnam's national and provincial governments are keen to spread this prosperity to all regions and industries. In partnership with the Vietnam Chamber of Commerce and Industry, USAID has developed an innovative tool to help government officials assess and improve the country's business and investment climate. They developed an index that rates provinces and cities on the attractiveness of their business environment. To generate the Provincial Competitiveness Index, over 16,000 companies in approximately 90 percent of Vietnam's economy were surveyed. Released in May 2005, this index is unique because rather than ranking more permanent factors such as location,

geography, and infrastructure, it focuses specifically on variables that are influenced by local governments, such as entry costs, transparency, and local regulations.

The initial findings surprised everyone. Binh Duong province proved to be the most competitive business environment, surpassing better known areas such as Ho Chi Minh City and Hanoi. Widespread press coverage of the results sparked a lively public debate, and businesses hailed the index as a helpful tool for guiding local government reform efforts. The reaction from local governments was mixed, but several officials, even those from lower ranking provinces, expressed a sincere desire to better understand the ranking and improve business conditions.

USAID plans to build on this success and perform the survey annually. In addition, certain provinces will receive customized diagnostic reviews. By providing government officials with an effective way to gauge the results of their reform efforts, USAID is helping Vietnam create the conditions to help the private sector develop in a sustainable way.

Photo: USAID