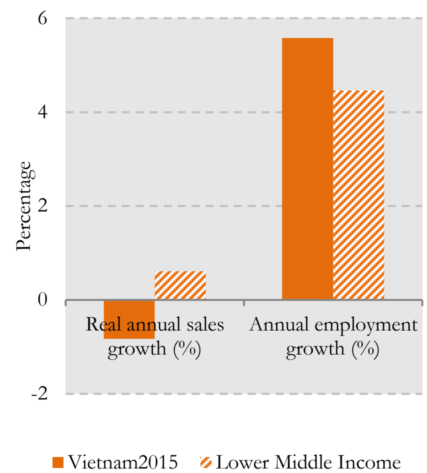
VIETNAM 2015

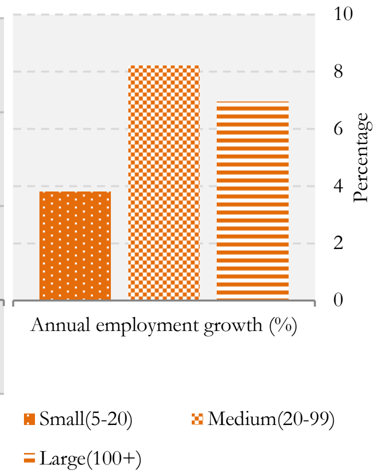
WORLD BANK GROUP

The World Bank Group conducted face-to-face interviews with top managers and business owners of 996 enterprises in Vietnam from November 2014 through April 2016. The Enterprise Survey (ES) sample is representative of Vietnam's formal private sector. The ES covers several aspects of business environment along with measures of firm performance. Below are the main highlights from the survey.

Firms perform well in terms of employment growth but are experiencing poor annual sales growth

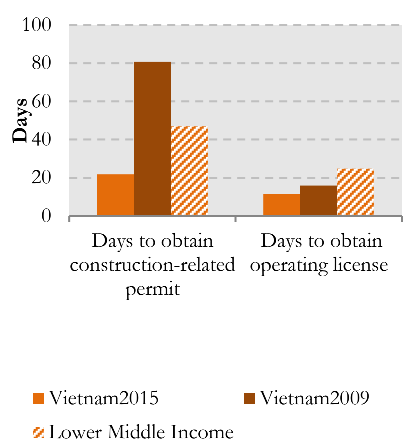
Between 2012 and 2014, the private sector in Vietnam experienced negative annual sales growth (-0.8%). The poor growth in annual sales was driven by small firms (5-19 employees), which had negative sales growth (-3.1%), while medium sized firms (20-99 employees) and large firms (with 100 or more employees) grew annually by 0.9% and 5.1%, respectively. During the same period, annual employment growth was 5.6% in Vietnam, higher than in lower middle income economies (4.5%). Employment growth grew faster in medium sized and large firms compared to small firms (8.2%, 7.0% and 3.8% respectively).

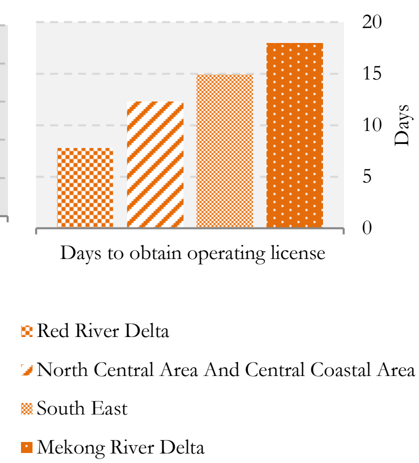




The wait time to obtain licenses and permits has declined significantly since 2009

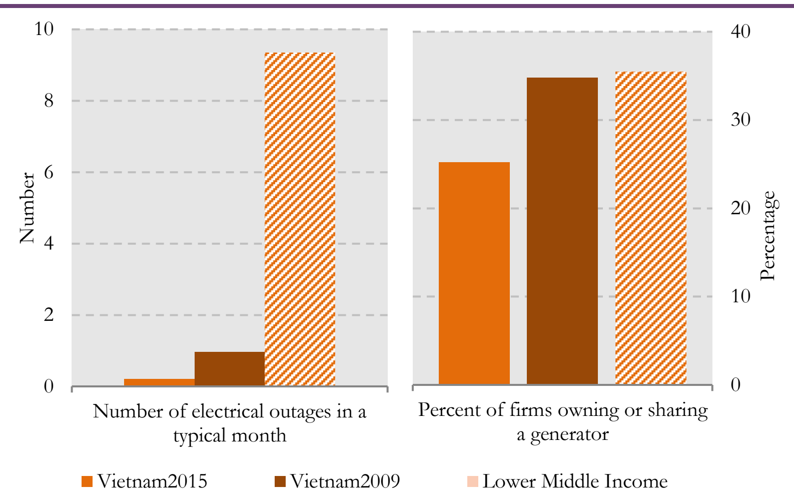
Businesses in Vietnam are now finding it more efficient to deal with the government compared to 2009. The wait time to obtain construction-related permits is almost a quarter of what it was in 2009 (22 days vs. 81 days). The wait time to obtain an operating license has also improved, from 16 to 11 days. The operating license wait time varies by region, from 8 days in Red River Delta to 18 days in Mekong River Delta. Wait times for both operating license and construction permits are shorter in Vietnam than in lower middle income economies (25 and 47 days respectively).





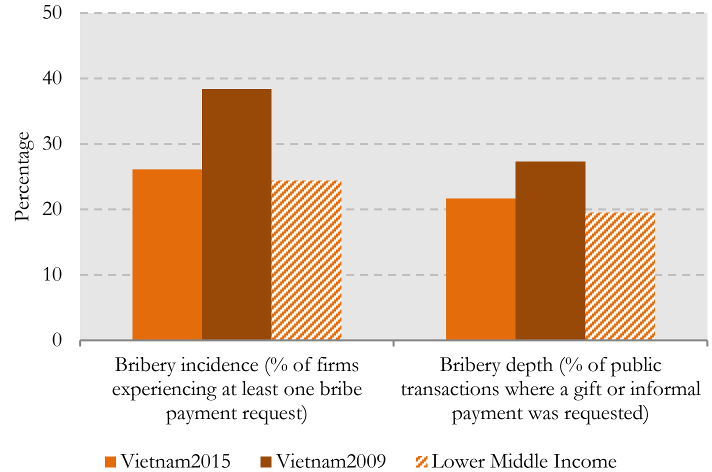
The provision of electricity is more reliable in Vietnam than in other lower middle income economies

The power supply in Vietnam has improved since 2009 and is much more reliable than in other lower middle income economies. The number of outages experienced by firms in a typical month was already very low in 2009 (1.0) and is now close to no outages at all (0.2). As a comparison, firms in lower middle income economies experience 9 outages in a typical month. Additionally, the percentage of firms that own or share a generator has declined in Vietnam (from 35% in 2009 to 25% in 2015), and is below the average for lower middle income economies (35%).



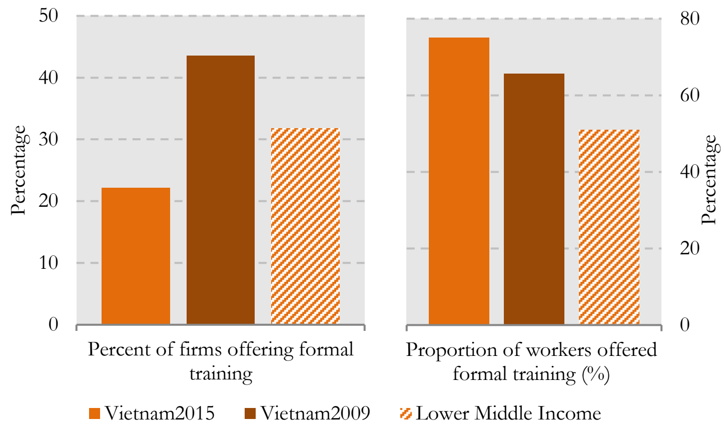
Bribery incidence and bribery depth has decreased in Vietnam since 2009

In Vietnam, 26% of firms experience at least one bribe payment request across six transactions involving access to utilities, permits, licenses, and taxes (bribery incidence). This is slightly higher than the average for lower middle income economies (24%), but a notable improvement from Vietnam's bribery incidence level in 2009 (38%). Vietnam is also similar to the average for lower middle income economies in another measure of corruption. In 2015, 22% of public transactions were reported to be accompanied with a request of a gift or informal payment (bribery depth), in line with the average for lower middle income economies (20%) but better than in 2009, when a gift or informal payment was requested to firms in 27% of transactions.



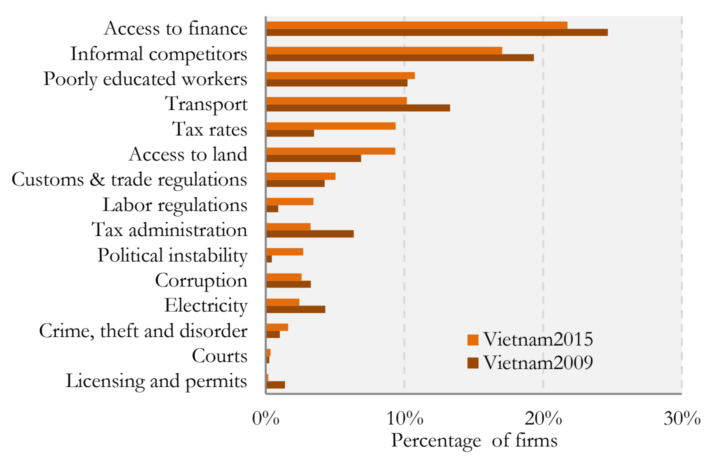
Compared to 2009, Vietnamese firms are now less likely to offer formal training

The percentage of firms that offer formal training (incidence of training) has strongly declined in Vietnam from 44% in 2009 to 22% in 2015. The percentage is now below the average for lower middle income economies (32%). Conversely, the proportion of workers that are offered formal training has increased. Compared to 2009, when 66% of workers received training, the percentage of workers receiving training in 2015 is 75%. In this indicator, Vietnam considerably outperforms the average for lower middle income economies, where 51% of workers receive training.



Vietnamese firms consider access to finance as their biggest obstacle

The ES asks business owners and top managers to name the biggest obstacle that they face in their everyday operations. In Vietnam, access to finance was the most cited top obstacle in both 2015 and 2009 (by 22% and 25% of firms respectively). Informal competitors ranked 2nd in 2015 and in 2009 (cited by 17% and 19% of firms respectively). Poorly educated workers and transport ranked 3rd and 4th in 2015, with 11% and 10% of firms citing them as the top obstacle respectively. This is a reversal in the ranking from 2009, when transportation and poorly educated workers ranked 3rd and 4th with 13% and 10% of firms, respectively.



The Enterprise Analysis Unit is a joint World Bank and IFC team of economists, survey experts specialized in private sector development. Surveys implemented by the team reveal what businesses and firms experience across the world by interviewing representative samples of the formal, non-agricultural, non-extractive, private sector with 5 employees or more. The resulting globally comparable firm-level data is used to construct business environment indicators and measure firm performance. The findings and recommendations help policy makers identify, prioritize, and implement policy reforms that support efficient private economic activity.

For more information on the survey visit http://www.enterprisesurveys.org

Generated using Enterprise Survey data as June 26, 2017