Australian Aid

SON LA PROVINCE GOVERMENT

Executive Summary

DEPARTMENT AND COMMUNE COMPETITIVENESS INDEX

"Gender-responsive and inclusive bussiness environment"

SON LA

DCCI SON LA 2025

GREAT DCCI SƠN LA economica

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CHAPTER I: INTRODUCTION

1.1. Context and background

The project "Gender Responsive Equitable Agriculture and Tourism" (GREAT), funded by the Government of Australia, aims to improve the social and economic status of ethnic minority women in the provinces of Lao Cai and Son La. Phase 1 of the GREAT project was implemented during 2017–2022 and has been completed, while Phase 2 is currently being implemented for the period 2022–2027. Based on the DDCI framework that Son La has applied since 2019, the 2025 toolkit continues to inherit and adjust previous indicators to better reflect the new context.

In 2025, the DCCI Son La was implemented in the context of institutional reform, private sector development, and innovation. At the provincial level, Son La has carried out administrative reorganization, abolished the district level, and restructured departments and agencies. These changes created the need to update the DDCI into the Department and Commune Competitiveness Index (DCCI) to accurately reflect the new governance structure, while also identifying emerging difficulties in public service and business environment reform.

1.2. Ranking method

The scores of the indicators and subindices are converted to a scale of 10, and then aggregated into the final DCCI scores (on a 100 – point scale)

Agencies are classified into the following governance performance groups: Excellent (≥90 points), Very good (80 to <90), Good (70 to <80), Fairly Good (60 to <70), Average (50 to <60), Below Average (40 to <50), Poor (30 to <40), and Very Poor (<30).

1.3. DCCI indicators

PILLAR 1: A FAVORABLE BUSINESS ENVIRONMENT

Indicator 1. Administrative procedures, licensing, and market entry

Indicator 2. Access to development resources (applicable only at the local level)

Indicator 3. Transparency and accountability

Indicator 4. Compliance costs

PILLAR 2: PROMOTING COMPETITION

Indicator 5. Fair and competitive business environment

Indicator 6. Business support services

Indicator 7. Institutional effectiveness

PILLAR 3: SUSTAINABLE GROWTH AND THE ROLE OF GOVERNMENT

Indicator 8. Sustainable, inclusive, and gender-responsive growth

Indicator 9. Promoting private sector development

Indicator 10. The role of government

1.4. Sample of DCCI 2025

The DCCI 2025 Son La survey was conducted across three groups, including provincial departments, vertical administrative agencies, and communes/wards, with nearly 1,540 enterprises, cooperatives, and household businesses.

For the DCCI department, the survey collected 698 responses from enterprises and cooperatives. Among them, 39% were female-owned enterprises/cooperatives, 12% were owned by ethnic minority people, and around 1% were either owned by persons with disabilities or employed persons with disabilities. In terms of sectoral structure, trade and services accounted for the largest share (69%), followed by industry and construction (19%), and agriculture, forestry, and fisheries (11%).

For the DCCI vertical administrative agencies, 291 enterprises and cooperatives participated in the survey. Female-owned enterprises/cooperatives accounted for 43%, while around 9% were owned by ethnic minority people. The proportion of enterprises/cooperatives owned by persons with disabilities or employing persons with disabilities was below 1%. Trade and services represented the largest share (68%), followed by industry and construction (23%), and agriculture, forestry, and fisheries (8%).

For the DCCI commune, the survey had 550 household businesses. Approximately 40% were owned by ethnic minority people, while 42% were female-owned. Household businesses owned by persons with disabilities or employing persons with disabilities accounted for around 0.4%. By sector, most household businesses operated in trade and services (88%), followed by industry and construction (7%), and agriculture, forestry, and fisheries (5%).

CHAPTER II: BUSINESS ENVIRONMENT PERFORMANCE

2.1. Business performance and outlook

The DCCI 2025 results show that enterprises, cooperatives, and household businesses in Son La generally maintained relatively stable business operations. Most businesses remained profitable, with around 69% of enterprises/cooperatives and 74% of household businesses. The proportion reporting losses was relatively low, at approximately 11% for enterprises/cooperatives and 6% for household businesses. This indicates that the province's private sector has continued to operate and generate profits. However, compared to 2024, business performance has not shown a clear improvement.

Regarding outlook, the dominant trend among enterprises, cooperatives, and household businesses is to maintain their current scale. Around 73% of enterprises/cooperatives and 86% of household businesses stated that they plan to maintain their current scale in the coming period. The proportion planning to expand remains modest, at around 21% among enterprises/cooperatives and 7% among household businesses, while the proportion expecting to downsize or close operations remains low. These findings suggest that the business community still maintains confidence in market stability, although a cautious mindset remains evident.

2.2. Key findings

First, businesses continue to prioritize stability, while growth momentum remains limited. Although most enterprises and household businesses remain profitable, the proportion planning to expand scale is still low, particularly among household businesses. This suggests that the business environment has not yet created sufficient incentives to encourage new investment and business expansion.

Second, business performance appears to have stagnated among a portion of businesses. The increasing proportion of businesses operating at break-even level indicates that many establishments can maintain operations but have not generated sufficient profits for capital accumulation, technological upgrading, or business expansion. This is an issue that should continue to be monitored, particularly in the context of ongoing compliance costs, market-related costs, and competitive pressures.

Third, the household business sector has remained relatively stable but has shown limited progress in expanding scale. Most household businesses continue to operate on a small scale and mainly focus on maintaining existing operations rather than developing into larger business models. Key barriers include limited labor scale, constraints in access to capital, weak management, accounting, and tax capacities, and concerns regarding compliance obligations associated with conversion into formal enterprises.

Fourth, the ongoing administrative restructuring process and the transition toward a two-level local government model may increase the wait-and-see attitude among enterprises, cooperatives, and household businesses. As management structures, administrative procedures, and coordination mechanisms change, some businesses may postpone investment or expansion decisions until the new system becomes more stable and operationally consistent.

CHAPTER III: DCCI OF DEPARTMENTS

In 2025, the DCCI assessed 10 departments across 20 management areas. In the context of administrative restructuring and organizational consolidation, analyzing results by management area rather than by department provides a more accurate reflection of the actual experiences of enterprises, cooperatives, and household businesses when interacting with government agencies.

The results show that the average DCCI score across the 20 management areas in 2025 reached 74.78 out of 100 points, a decrease of 3.8 points compared to 2024. Despite this slight decline, all management areas remained within the “good” group, indicating that governance quality was generally stable under the new administrative model. However, the decline also reflects transitional impacts arising from organizational restructuring, adjustments in functions and responsibilities, and the re-establishment of coordination mechanisms among agencies.

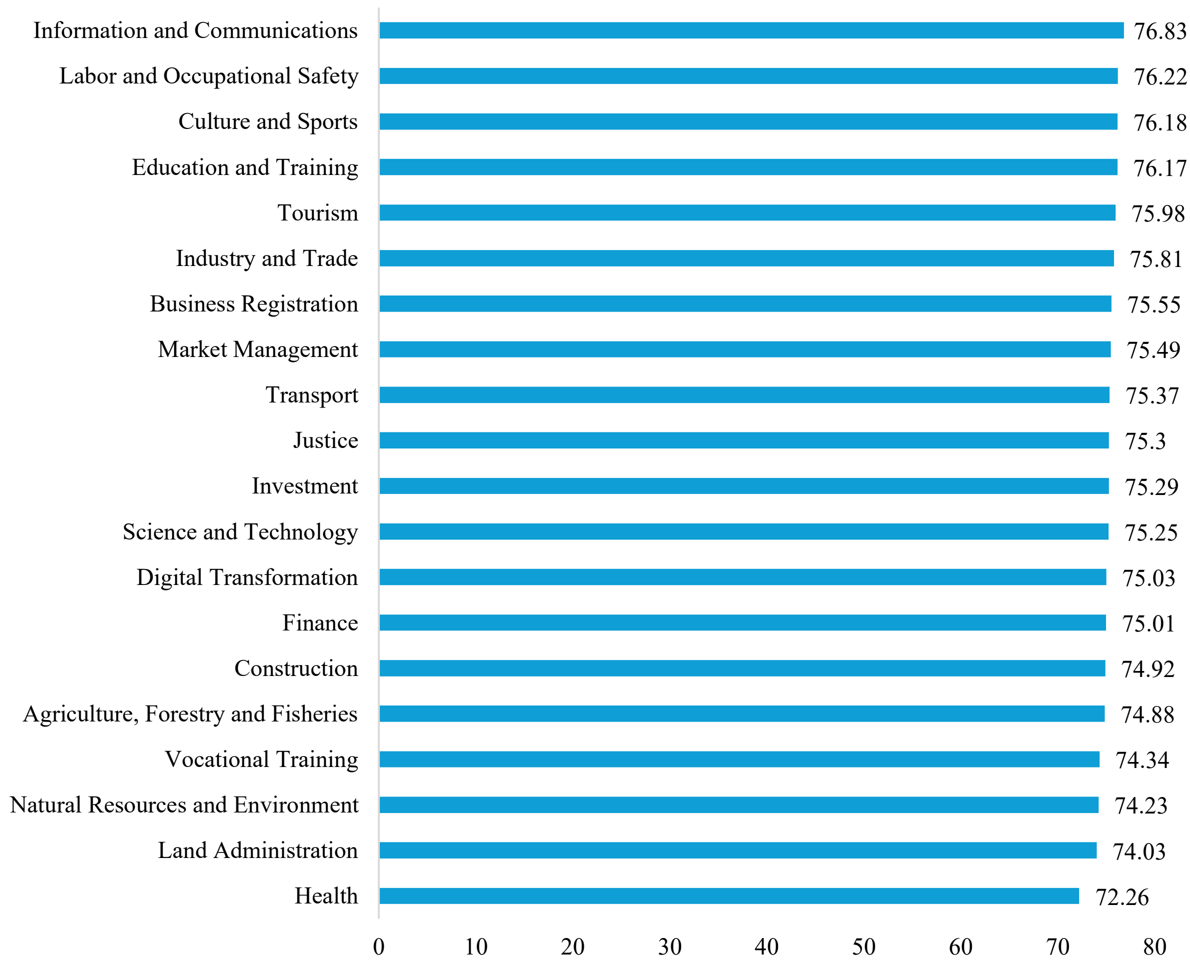
By management area, the highest-performing groups included information and communications, labor and occupational safety, culture and sports, education and training, and tourism. Lower scores were concentrated in areas involving cross-sectoral coordination and more complex administrative procedures, such as digital transformation, finance, construction, agriculture and environment, land administration, and healthcare. The gap between the highest- and lowest-scoring management areas was only around 4.6 points, indicating relatively limited variation and a generally consistent level of governance performance across sectors.

By department, the leading group included the Department of Culture, Sports and Tourism; Department of Home Affairs; Department of Industry and Trade; and

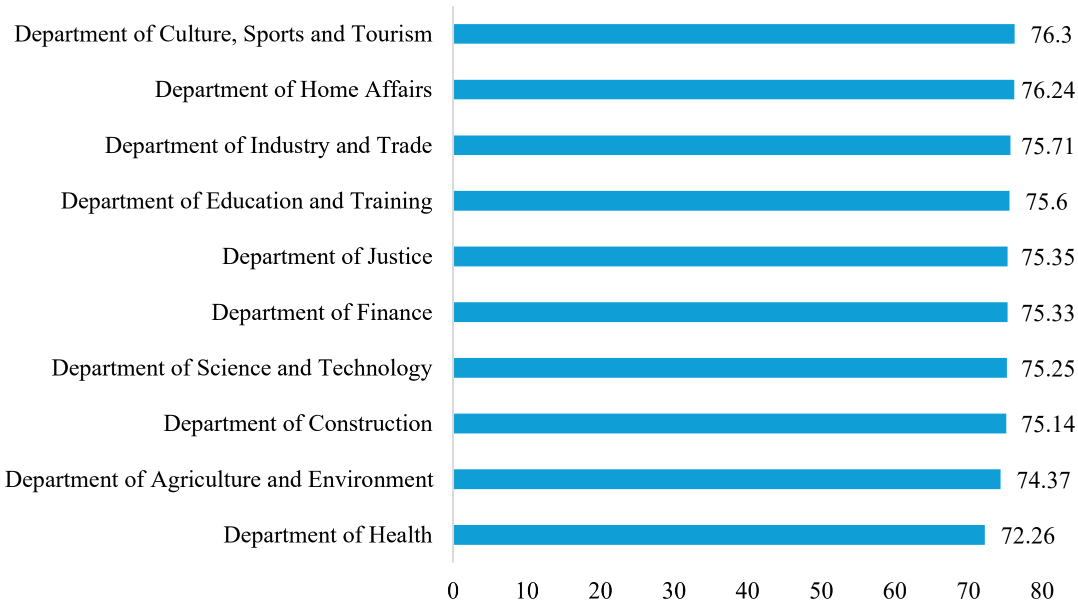
Department of Education and Training. The lower-ranked group included the Department of Agriculture and Environment and the Department of Health. However, the difference between the top- and bottom-ranked departments was only around 1.16 points, reflecting relatively small disparities in performance across departments.

Analysis by the three pillars shows that Pillar 1 – A Favorable Business Environment achieved the highest score, indicating that administrative reform and reductions in compliance costs continue to be the reforms most strongly recognized by enterprises. However, transparency and accountability remain key weaknesses. Pillar 2 – Promoting Competition recorded the lowest score, mainly due to the relatively weak performance of business support indicators, suggesting that a significant gap remains between support policies and enterprises' actual perception of meaningful government support. Meanwhile, Pillar 3 – Sustainable Growth and the Role of Government reflects the authorities' efforts to support private sector development, although progress in inclusive, sustainable, and gender-responsive development remains limited.

DCCI 2025 rankings by management areas



DCCI 2025 rankings by Departments



CHAPTER IV: DCCI OF VERTICAL ADMINISTRATIVE AGENCIES

DCCI 2025 for vertical administrative agencies in Son La includes the Son La Provincial Tax Department, Son La Social Security Agency, Son La Customs Department, and Long Sap International Border Gate Customs Branch. Under the DCCI methodology, the results for vertical administrative agencies are not ranked but instead focus on analyzing key characteristics to support improvements in governance quality and the business environment.

The survey results show that governance quality among vertical administrative agencies in 2025 was relatively consistent, with no agency demonstrating a particularly outstanding performance. The average score for the entire group reached 74.60 points in the “good” group. The gap between the highest- and lowest-scoring agencies was only around 0.71 points, indicating limited variation and relatively consistent perceptions among enterprises and cooperatives toward these agencies. However, compared to 2024, all agencies experienced declining scores. The Provincial Tax Department decreased by 5.64 points, Customs by 6.05 points, and the Provincial Social Security Agency by 2.02 points. These results should be considered in the context of large-scale organizational restructuring in 2025.

Analysis by the three pillars shows that Pillar 1 – A Favorable Business Environment achieved the highest score, with particularly strong performance in Compliance Costs and Administrative Procedures. This indicates that enterprises and cooperatives continued to view the administrative processing efficiency and reductions in compliance burdens of vertical administrative agencies relatively positively. However, the Transparency and Accountability indicator received comparatively lower scores, suggesting room for improvement in information disclosure, responsiveness, and accountability toward enterprises and cooperatives. Pillar 2 – Promoting Competition recorded the lowest score, mainly because the Business Support indicator achieved the lowest score among all indicators. This result suggests that the business community has not yet clearly perceived substantive and in-depth support from vertical administrative agencies, although the overall business environment is still considered relatively fair and stable. Meanwhile, Pillar 3 – Sustainable Growth and the Role of Government reflects that vertical administrative agencies have played a certain governance and support role for the private sector. However, issues related to inclusive development, gender responsiveness, and sustainable growth have not yet become particularly prominent.

CHAPTER V: DCCI OF COMMUNES

In 2025, Son La implemented the DCCI assessment at the commune/ward level, covering 18 out of 75 communes and wards. Unlike the departmental-level DCCI, the commune-level DCCI results are not used for overall ranking purposes. Instead, the assessment focuses on analyzing major trends in indicators and pillars to help local authorities identify bottlenecks and determine priorities for improving governance quality. This approach is appropriate for the grassroots level, where enterprises, cooperatives, and household businesses interact most frequently with local authorities through administrative procedures, access to information and receiving support for business activities.

The survey results show relatively clear differences in governance quality across communes and wards. DCCI scores among the 18 localities ranged from 63.74 to 82.06 points. Among them, two localities were classified as “good,” seven as “fairly good,” and nine as “above average.” These findings indicate that commune-level governance has shown positive improvements, although the level of progress remains uneven across localities. The gap of 18.32 points between the highest- and lowest-scoring localities reflects significant differences in implementation quality, business environment conditions, and the actual experiences of enterprises, cooperatives, and household businesses at the commune level.

Central communes and wards, which generally have higher business density and more favorable infrastructure conditions, tended to achieve better results, particularly in areas related to administrative procedures, access to information, and responsiveness to business needs. Notable examples include Thao Nguyen Ward, To Hieu Ward, Chieng An Ward, and Moc Chau Ward. In contrast, communes located in disadvantaged areas with lower business density often face greater limitations in infrastructure, administrative human resources, and access to information, which in turn affect service quality and the overall business environment.

Analysis by pillars shows that commune-level DCCI performance in 2025 was relatively stronger in Pillar 1 – A Favorable Business Environment, particularly in administrative procedures and reductions in compliance costs. Meanwhile, areas under Pillars 2 and 3, including business development support, promotion of the private sector, sustainable development, and inclusive growth, remained relatively weaker. This suggests that commune-level authorities have made certain improvements in administrative reform, but the depth of their supporting and enabling role in local economic development still requires further strengthening in the coming period.

CHAPTER VI: CONCLUSION AND RECOMMENDATIONS

6.1. Conclusion

In 2025, DCCI Son La was implemented in the context of the transition toward a two-level local government model, together with the restructuring of provincial departments and agencies. Accordingly, the DCCI 2025 framework was updated to reflect new governance requirements, covering three groups: provincial departments, vertical administrative agencies, and communes/wards. The assessment approach also shifted toward diagnosis, identification of underlying causes, and support for governance improvement. The report incorporated additional qualitative questions, expanded content related to sustainable development, inclusiveness, gender responsiveness, and digital transformation, increased the proportion of online surveys to 30%, and conducted in-depth interviews with 10 evaluated agencies.

The overall results indicate that governance quality in the province remained relatively positive, although the impacts of the transition period became increasingly visible. For departments, the average score across 20 management areas reached 74.78 points, with all areas classified as “good.” For vertical administrative agencies, the average score was 74.60 points, with all three agencies also classified as “good.” At the commune level, the average score across 18 localities reached 71.53 points, including two localities classified as “good,” seven as “fairly good,” and nine as “average.” These findings suggest that governance performance has not declined substantially, although the administrative system is facing clear adaptation pressures following the restructuring process.

Administrative procedures, market entry, and compliance costs continued to receive relatively positive evaluations. However, administrative reform has mainly improved procedural aspects. There remains significant room for improvement in terms of substantive business environment reform, particularly in areas requiring inter-agency coordination, post-procedure support, and sustained engagement with the private sector.

Business support remains a major bottleneck. Existing support programs still lack depth, have limited coverage, and do not adequately respond to the practical needs of enterprises, cooperatives, and household businesses, especially at the commune level. The gap between support policies and the actual support perceived by the private sector remains considerable.

In addition, transparency, accountability, access to information, and responsiveness continue to represent important weaknesses. Public disclosure of information does not necessarily mean that enterprises, cooperatives, and household businesses can easily access, understand, and use such information. Current gaps lie in the quality of interaction, communication capacity, responsiveness, and the extent of meaningful government support.

The household business sector demonstrates significant potential for transformation into formal enterprises. The proportion of household businesses expressing interest in converting into enterprises in Son La reached 10.55%, approximately 4 percentage points higher than the national average. This represents a positive signal regarding the development potential of the private sector. However, the process still faces major barriers related to taxation, accounting, electronic invoices, management skills, operational capacity, and readiness to comply with formal enterprise regulations.

The inclusion of indicators related to sustainable development, inclusiveness, gender responsiveness, innovation, and digital transformation has helped identify limitations in both policy design and implementation. Women, ethnic minorities, persons with disabilities, and other vulnerable groups continue to face greater difficulties in accessing information, participating in policy consultations, and benefiting from support programs. In particular, ethnic minority women face overlapping disadvantages, including constraints related to time, mobility, administrative skills, digital skills, self-confidence, and in some cases language barriers.

Several trends should continue to be monitored in the coming years, including declining scores across multiple agencies, risks of weakening reform momentum in previously strong-performing areas, widening governance gaps between communes and wards, limited consultation and dialogue mechanisms, unequal distribution of reform benefits across business groups, and weak performance in research and development, innovation, and digital transformation, especially among small enterprises, cooperatives, and household businesses.

6.2. Recommendations

Thứ nhất, UBND tỉnh cần sử dụng kết quả DCCI 2025 để cụ thể hóa Kế hoạch số 30/KH-UBND về thực hiện Nghị quyết số 02/NQ-CP năm 2026. Trọng tâm là cải cách TTHC thực chất, nâng cao minh bạch và trách nhiệm giải trình, cải thiện hỗ trợ sản xuất kinh doanh, hỗ trợ DN/HTX/HKD nhỏ, nhóm yếu thế, chuyển đổi số và phát triển bền vững. Cần xây dựng cơ sở dữ liệu tập trung về DN/HTX/HKD, chính sách hỗ trợ, kết quả thực hiện và vướng mắc phát sinh; đồng thời thiết lập hệ thống theo dõi tiến độ theo tháng, quý, năm.

First, the Provincial People's Committee should use the 2025 DCCI results to operationalize Plan No. 30/KH-UBND on the implementation of Resolution No. 02/NQ-CP in 2026. Priority areas should include substantive administrative reform, improved transparency and accountability, stronger business support, support for small enterprises, cooperatives, household businesses and vulnerable groups, digital transformation, and sustainable development. The province should establish a centralized database on enterprises, cooperatives, household businesses, support policies, implementation outcomes, and emerging bottlenecks, while also developing a monthly, quarterly, and annual monitoring system.

Second, the province should allocate dedicated financial and human resources for governance improvement activities. DCCI improvement plans should not remain limited to administrative tasks but should include clear budgets, responsible focal points, implementation timelines, and measurable outcomes. Frontline officials interacting directly with enterprises, cooperatives, and household businesses should receive training on administrative guidance, complaint handling, digital platforms, and support for vulnerable groups.

Third, inter-agency coordination mechanisms should be strengthened for cross-sectoral bottlenecks involving land administration, investment, construction, environment, tourism, health, digital transformation, and post-investment support. These issues cannot be effectively addressed if each agency operates only within its own narrow mandate. Inter-agency task forces or dedicated coordination units should therefore be established with clearly assigned responsibilities, monitoring mechanisms, and periodic reporting requirements.

Fourth, the province should develop targeted, inclusive, and differentiated support programs for enterprises, cooperatives, household businesses, and the conversion of household businesses into formal enterprises. For household businesses with high conversion potential, dedicated support packages should be provided in areas such as administrative procedures, taxation, accounting, invoices, management skills, digital skills, legal advisory services, and market linkages. For micro-enterprises, cooperatives, and household businesses in disadvantaged areas, support conditions should be simplified and designed in line with actual absorption capacity.

Fifth, provincial departments and agencies should shift their focus from merely "processing procedures" toward "providing active support and accompaniment." Administrative procedures should be standardized, with clear disclosure of responsible units, timelines, and accountability mechanisms. Policy communication should be redesigned to become easier to understand and implement, while support programs should include clear output indicators in order to avoid formalistic and fragmented implementation.

Sixth, communes and wards should become a central focus of governance improvement in the coming period. Commune-level authorities should standardize administrative guidance, publicly disclose responsible focal points, strengthen responsiveness to complaints and feedback, and expand the coverage of support programs at the grassroots level. Specialized provincial departments should pilot mobile support teams in low-scoring communes, remote areas, or localities facing frequent bottlenecks related to land, taxation, environment, investment, construction, and digital transformation.

Seventh, inclusive and gender-responsive policies should be meaningfully integrated into business environment reform efforts. The province should expand consultation opportunities for women, ethnic minorities, persons with disabilities, and vulnerable groups; organize consultations closer to residential communities; coordinate with the Women's Union, Farmers' Union, Cooperative Alliance, and local organizations; and provide clear feedback on how consultation inputs are incorporated into policy decisions.

Eighth, future DCCI assessments should continue expanding and stratifying commune-level survey samples, maintain a proportion of repeated samples to monitor trends over time, and strengthen data disaggregation by gender, ethnicity, disability status, business size, and intersectional groups such as ethnic minority women. Following the publication of results, evaluated agencies and localities should develop annual DCCI improvement plans with clearly defined objectives, measures, responsible focal points, implementation schedules, and expected outcomes. This is a necessary condition for DCCI to become a substantive governance improvement tool rather than merely a periodic ranking exercise.