Ease of Doing Business Reforms in Vietnam: Implications for Total Factor Productivity in Manufacturing Industries

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This paper uses a novel and unique micro dataset of manufacturing enterprises between 2000 and 2010 to analyse manufacturing TFP in the context of impressive business regulation reforms in Vietnam. The first phase of the reforms (2000-2005) observed the intensive business start-up simplification. The central governance of business regulations was decentralized to provincial authorities in the second phase (2006-2010). For the first time, interesting results are shown as follows. First, the TFP catch-up of the least productive firms to the frontier firms was faster in the second phase of the reforms (2006-2010) compared to the first phase (2000-2005) across all industries and economic regions. However, larger TFP gaps still existed in high-technology industries. Second, the first-difference estimation of panel data comprising 63 provinces indicates that local governments that performed better in the ease of doing business significantly fostered provincial manufacturing TFP in either for upper or lower productive provinces in Vietnam in the second phase of the reforms. Moreover, significant technology diffusion effects of nearby leading productivity provinces on provincial TFP are reported in this research.

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Abstract

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Keywords: Vietnam, Total Factor Productivity, TFP catch-up, Business Reforms.