

RESEARCH SUMMARY

Research title: The impacts of provincial institutions on attracting FDI inflows in Vietnam

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Class: QH-2008-E Finance Banking

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Prize: Second Prize at unit level, 2011

Research purposes:

- To analyze the impact of provincial-level institutional climate on foreign direct investment (FDI) in the sample of 20 provinces of Vietnam covering the period 2006-2009.
- To analyze the impact through models.
- To recommend policies for Vietnam's provinces in attracting FDI inflows is focus on strengthening transparency and access to information through enhanced accountability.

Research content:

Chapter 1: Introduction

Chapter 2: Theory on the impacts of institutions on FDI attracting.

Chapter 3: Analyzing the impacts of provincial institutions on attracting FDI inflows in Vietnam by indications in PCI.

Chapter 4: Building the estimating model of the impact of provincial institutions on FDI attraction.

Chapter 5: Research findings and recommendations.

Chapter 6: Suggestions of further studies.

Research outcomes:

Surprisingly, informal charges variable in the model have negative sign. In other words, better and better this variable is, the FDI inflows decrease more and more. This implies "implicit transactions" between investors and the provincial authorities have a

critical role when investors make investment decision. It also shows the trend of corruption associated with FDI inflows in the recent time. In addition, the paper also indicates that business support factors from provincial authorities including proactivity of provincial leadership, labor and training and legal institutions do not affect FDI attraction. It means that the support policies of local governments fail to work and meet the expectations of investors.

From the finding above, we recommended that policies for Vietnam's provinces in attracting FDI inflows is focus on strengthening transparency and access to information through enhanced accountability. They should also improve the effectiveness of protection of property rights such as land access and use right and other preferential policies to support for business. Besides, the paper suggests a new research direction about the issue in the future. It is estimate the impact of a specific provincial-level institutional variable on attracting FDI inflows both registered and disbursed FDI.