

THE IMPACT OF PUBLIC GOVERNANCE INSTITUTIONAL QUALITY ON THE ATTRACTION OF RESOURCES FOR REGIONAL DEVELOPMENT IN VIET NAM IN THE CURRENT PERIOD

Authors Details

Nguyen Dinh Nguyen^{1*}

Institute for Legal Research and Business Support.

Corresponding Author: *Nguyen Dinh Nguyen*

ABSTRACT: The paper analyses the impact of public governance institutional quality on the ability to attract development resources among Vietnamese regions and provinces. Development resources consist of foreign direct investment (FDI), domestic private capital, high-quality human resources, and technological and innovative resources. To examine these relationships, the study employs a qualitative secondary-data and policy-analytical approach based on secondary data and policy analysis was conducted using the evidence gathered from Provincial Competitiveness Index (PCI), Provincial Governance and Public Administration Performance Index (PAPI), World Bank and OECD reports and other relevant documents. The conclusions were drawn based on the evidence that good governance increases attractiveness through transaction costs and uncertainty reduction, builds up investor's confidence, improves public services, provides for effective coordination of infrastructure and encourages innovation ecosystem development. Predictable regulatory environment, transparency, administrative efficiency and land access are crucial for investment; while quality of public services, e-government, skills development and interprovincial coordination are important for human and innovation resources.

Keywords: *public governance; institutional quality; regional development; resource attraction; FDI; private investment; human resources; innovation; Viet Nam.*

1. Introduction

The development of regions has emerged as an important part of Viet Nam's development strategy towards becoming a modern and high-income economy. The development model of Viet Nam has traditionally been based on international economic integration, export-oriented industry, foreign direct investment, urbanization, and infrastructure development. But now, the further development process will need more than just increasing the volume of investments. Viet Nam will require better investments, stronger local companies, skilled labor, technologies, innovation capabilities, and better allocation of public and private resources. According to a recent institution assessment of Viet Nam made by the World Bank, stronger institutions, more predictable regulations, better public investments, accountable bureaucracy, and better local governance are necessary for sustained growth towards high-income status in 2045 (World Bank, 2025a).

It is particularly relevant to talk about this regional aspect because there is an unequal distribution of economic opportunities and development resources. The big metropolitan and industrial regions have all the needed infrastructure, suppliers, educated workforce, logistical capabilities, universities, and management skills, while other provinces will be constrained by their size of the market, their connection, the quality of the workforce, fiscal power, and implementation capabilities. Geography and infrastructure are relevant aspects here, but they do not fully account for why certain provinces are better than others when it comes to attracting investors, entrepreneurs, skilled workforce, and innovative companies. Quality of institutions impacts the way economic agents perceive the region, whether processes are clear, whether rules are predictable, whether permits are accessible and whether public services work properly.

The relevance of the issue has been heightened by reform processes that Viet Nam is undergoing in its public administration and regional governance systems. The policy directions concerning economic regions include institutional reforms, decentralization, regional coordination, and resource mobilization from both the state and non-state entities. For instance, Resolution No. 24-NQ/TW of the Southeast economic region promotes the building of intraregional and interregional connections, efficient coordination mechanisms,

and resource mobilization through public investment which can stimulate non-state investment (Politburo of Viet Nam, 2022). These policy directions indicate that the ability to mobilize resources goes beyond promotion or fiscal incentives because it is inherent in the quality of governance structures.

In Vietnamese discussions, the indicator of provincial competitiveness is often used to appraise the economic governance of localities, and the citizen-centered governance is measured via PAPI. The 2024 PCI is developed based on the panel data at the provincial level and surveys among firms and evaluates the aspects of economic governance affecting the growth of the private sector (VCCI & USAID, 2025). In contrast to this, PAPI measures the experiences of the citizens concerning participation, transparency, accountability, control of corruption, administrative processes, public service provision, environmental governance, and e-governance (CECODES, RTA, & UNDP, 2025). Taken together, these sources reveal that governance quality is multidimensional and that different dimensions may influence different development resources through different mechanisms.

The key issue that arises from this research is analytical and practical as well. Assuming governance quality as one aggregated variable and measuring resource attraction via FDI is a mistake. For example, one province can be attractive for manufacturing investment in terms of industrial lands and governmental support but fail in retaining a pool of high-skilled employees. Another province can have high-quality public services and electronic government while being deficient in regional infrastructure coordination. Therefore, the issue needs a broader perspective that would allow us to link governance institutions and types of development resources as well as make policy recommendations for provinces and regions.

For this reason, this study offers an institutional and data-driven theoretical framework for exploring the connection between the quality of public governance institutions and regional resource attraction in Viet Nam. The paper does not suggest to calculate a coefficient of cause-and-effect relations based on original microdata. Rather, it suggests combining the theory of institutional quality, national and international policy experience, and existing Vietnamese governance datasets to determine possible mechanisms, effects on various types of resources, and policy implications.

1.1 Research Objectives

There are two purposes for the study. Firstly, the aim is to provide an understanding of how the quality of public governance institutions impacts the attraction of the provinces and regions in Vietnam to development resources. Secondly, the aim is to understand which governance dimensions matter most for specific types of resources.

1.2 Research Questions

RQ1. How does the quality of public governance institutions influence the attraction of development resources across Vietnamese regions and provinces?

RQ2. Which dimensions of public governance quality and institutional mechanisms are most relevant to different types of development resources, and what policy reforms can strengthen resource attraction and regional coordination in Viet Nam?

2. Literature Review and Theoretical Framework

2.1 Institutions, Governance Quality, and Economic Development

It is through institutional economics that an explanation is made of how governance quality impacts economic performance. According to North (1990), institutions refer to the formal and informal constraints that govern interactions and minimize uncertainties. In economic transactions, the constraints affect property rights, contracts, information flows, enforcement, and expectation of future policies. When the rules are reliable and predictable, firms will invest more on future projects. However, if the rules lack transparency, change often, are selectively enforced, or incur heavy transaction costs, the investor incurs extra risks and delays, limits, or relocates investments.

The institutional theory was built on the findings from the works that relate governance arrangements to long-run economic development. For instance, Acemoglu, Johnson, and Robinson (2005) argue that institutions affect incentives to invest in physical and human capital development. Similarly, Rodrik, Subramanian, and Trebbi (2004) show how institutions play a pivotal role in economic performance. While the works are mainly conducted at the country level, the theoretical framework can easily be extended to sub-national cases where the local authorities exercise discretion in administration, land, and other factors.

In the case of Viet Nam, sub-national variation is especially important since central laws and policies are put into practice through the provinces and local administrative structures. Companies that operate under the same national laws could face varying degrees of administrative cost, responsiveness, transparency, informal payments, and implementation consistency. The PCI project has demonstrated this variation for a considerable amount of time, offering an opportunity to explore how local economic governance impacts private-sector development (VCCI & USAID, 2025).

2.2 Public Governance Institutional Quality as a Multidimensional Construct

Institutional quality for public governance should not be defined by absence of corruption and procedural speed. In this research, institutional quality refers to the quality of rules, implementation, administration, accountability, service provision, and coordination processes through which public institutions create the development environment. There are five main dimensions: (1) transparency, accountability, and integrity; (2) regulatory quality and predictability; (3) administrative efficiency and digital governance; (4) public-service and public-investment capacity; and (5) intergovernmental and interprovincial coordination.

This multidimensional definition aligns with Vietnam's own measuring instruments. PAPI includes participation, transparency, vertical accountability, control of corruption, public administration procedures, public service delivery, environmental governance, and e-governance (CECODES et al., 2025). The PCI is specifically aimed at business-related governance, such as entry cost, land access, transparency, time cost and regulatory compliance, informal cost, policy bias, proactivity, business support policy, labour training, and law and order (VCCI & USAID, 2025). These tools are not substitutes but complement each other and demonstrate that the concept of institutional quality works through business and citizen governance instruments.

It is important to know this for the sake of the regions' attractiveness. Investors might give preference to regulatory predictability, land, infrastructure, and efficient administrative service. Skilled workers and their families might prefer an attractive educational system, healthcare system, environment, digital opportunities, housing, and the livability of cities. The firms which use technologies extensively need both a predictable business climate and a high-quality ecosystem of skills, universities, public services, digital infrastructure, and

innovation institutes. So, a region that does well in only one domain of governance will only attract a limited number of resources.

2.3 Regional Resource Attraction: Beyond FDI

Resource attraction as used in this paper includes four categories. First, it involves foreign direct investments which continue being relevant for Viet Nam in terms of its manufacturing exports, global value chains participation, technological exposure and labor needs. Second, domestic private investments and business capital that entails expansion of current firms, entrepreneurship, and capital commitment of domestic businesses. Third, high-quality human resource involving skilled labor, managers, professionals, researchers, and entrepreneurs whose choice of location impacts regional productivity. Fourth, resource of technology and innovation which covers research and development, knowledge intensive firms, industry-academia collaboration, technology transfer, and innovative entrepreneurship.

This definition stems from new requirements of Viet Nam's development strategy. According to World Bank, shifting towards higher value adds manufacturing and services involves investment in technologies, skills, innovation, and connections between domestic firms and global value chains (World Bank, 2024). Similarly, OECD identifies that regional capacity for leveraging strategic and green FDI depends on skills, infrastructure, linkages of SMEs, and innovation ecosystems instead of only investment promotion (Kimura & Flood, 2025). Thus, attracting resources should be evaluated not only by the amount of capital entering a province but also by the quality, complementarity, embeddedness, and developmental spillovers of those resources.

2.4 Mechanisms Linking Governance Quality to Resource Attraction

First, there is transaction cost reduction. Efficient processes, availability of information, digitization of services, predictable timeframes, and enforcement minimize the cost of setting up and running enterprises. It is particularly critical for local SMEs, who may have less capacity to deal with bureaucracy than multinational companies.

Second, there is credibility and risk reduction. Investment is a forward-looking activity. An investor planning a plant, logistics hub, research center, or head office considers not only the existing benefits but also the credibility of future policy implementation. Transparency

and accountability of government decrease the risks regarding land, licenses, inspections, taxation, infrastructural commitments, and dispute settlement. According to the World Bank (2025a), clearer and more predictable regulation is one of the key institutional priorities of Viet Nam.

Third, there is public good provision. Infrastructure, education, healthcare, environmental protection, digital connection, and safety are factors that influence productivity and investments. Good public investments could crowd in private investments in case of correct project selection and implementation. On the contrary, poor project planning and implementation could decrease the effectiveness of private investments. Analysis by the World Bank underscores the significance of better project selection, implementation, and monitoring, especially in provinces (World Bank, 2025a).

Fourth, the network is needed rather than the project for innovation and high-skill activity. Universities, suppliers, research facilities, specialist services, venture capital, labor force and knowledge flow are all good for firms. The governance mechanisms will determine whether it is possible to coordinate these actors, use public programs and develop a regional strategy in terms of stable priorities.

Last, mechanism is regional coordination. Often economic systems are more extensive than provinces while the administration is territorially divided. Labor markets, transport routes, logistics, river basins, energy systems, supply chains and city development usually need to be coordinated across the borders. Bad coordination can result in duplication, shortage of infrastructure, contradictory regulations and competition that will just move projects from one province to another. Better coordinated regional institutions can create a bigger functional market.

2.5 Conceptual Framework

In this study, the conceptual framework of public governance institutional quality is presented as the explanatory variable, while regional resource attraction is the domain of outcomes and there are five institutional mechanisms through which they are connected. Geography, size of the market, infrastructure stock, industrial structure, labour force, and national policy are all considered as structural conditions and not ignored by the framework. This means that the framework does not make an assumption that governance

determines investments and talent attraction. Instead, it is about the influence of governance on effective use of structural advantages for development.

Table 1. Conceptual links between governance quality and regional resource attraction.

Governance dimension	Primary mechanism	Resource outcomes most directly affected
Transparency, accountability, integrity	Reduces information asymmetry, informal costs, and perceived risk	FDI; domestic investment; innovation capital
Regulatory quality and predictability	Improves planning certainty and protects expected returns	FDI; domestic business capital; long-term projects
Administrative efficiency and e-governance	Reduces time and compliance costs	Domestic firms; FDI; entrepreneurs; mobile professionals
Public services and investment capability	Raises productivity, liveability, and infrastructure quality	Human resources; FDI; domestic investment; innovation
Regional/intergovernmental coordination	Creates functional economic scale and reduces fragmentation	Large infrastructure-linked investment; supply chains; talent; innovation ecosystems

3. Methodology

3.1 Research Design

The research design of this paper is that of secondary data qualitative and policy analysis. The aim of the research is not causal analysis but explanation and building of frameworks. This kind of research design is suitable as it takes into consideration institutional theories, indicators of good governance, policies, and also the latest findings concerning the development model of Vietnam. The research design will apply structured document analysis in identifying mechanisms connecting good governance and resource attraction and comparison among four types of resources.

3.2 Data Sources

There were four types of sources used in the study. First, the PCI reports in 2024, together with the provincial governance materials, are sources of business evidence on economic governance in the provinces and long-term panel data. PCI research data infrastructure

consists of provincial panel data collected since 2006 until 2024 for 63 provinces and firm-level survey data, as well as an additional survey of foreign-invested enterprises (VCCI & USAID, 2025). Second, the PAPI reports in 2024 is a source of citizen evidence on eight governance dimensions and public service experiences (CECODES et al., 2025). Third, reports by the World Bank and OECD for 2024-2025 contain evidence on institutional reforms, business regulations, public investment, trade, productivity, regional FDI, skills, and innovation. Fourth, Vietnamese policy documents on regional development are used to identify institutional priorities.

3.3 Analytical Procedure

The process of analysis was carried out in four steps. In Step 1, the two key constructs were identified as well as their constituent dimensions: public governance institutional quality and regional resource attraction. Step 2 involved coding the selected academic literature and policy sources based on five mechanisms: transaction costs, credibility and risk, provision of public goods, ecosystem creation, and regional coordination. Step 3 involved mapping the mechanisms to the four resource types, thus uncovering the common as well as resource-specific requirements to public governance.

3.4 Analytical Propositions

While not an econometrics paper testing a hypothesis, there are three analytic propositions that help frame the analysis. First, good governance will have a positive relationship with the level of attractiveness of resources, as it minimizes risk and makes private and human capital investments productive. Second, different dimensions of good governance will have a positive relationship with particular resources; for example, while efficient administration is important to firms, service quality and liveability are important to talented labor. Third, the benefits of good governance in the provinces will be limited if certain infrastructural, labor, environmental, and supply chain issues need to be managed outside the province.

3.5 Limitations

There are evident drawbacks to the methodology. It does not allow for determining a causal effect size for a relationship between a governance index and the outcomes in terms of investments and migration. Aggregate indices may miss variations within a province and

varying sectoral demands. Moreover, the indices measure different stakeholders and aspects, and therefore should not be arbitrarily added together to form one overall index. The paper uses them for triangulation and conceptual purposes but not for creating some artificial index. In the future, empirical research can use a province-year panel, combining dimensions of validated governance indices and FDI, domestic private investments, skilled labor and innovation indices.

4. Analytical Findings

4.1 RQ1: How Governance Quality Influences Regional Resource Attraction

4.1.1 Governance quality lowers the cost of doing business and investing

One of the most direct paths from the quality of governance to attracting resources lies in the lowering of administrative and transaction costs. Business entities are required to deal with public administrations throughout the entire investment process: establishment of their presence in the market, acquisition of land, building, environmental, tax, inspection, customs, labor relations, and expansion. Despite the uniformity of the legal framework of a country, there can be disparities in its implementation with respect to clarity, efficiency, coordination, and predictability. PCI is specifically aimed at capturing such disparities in economic governance on the provincial level (VCCI & USAID, 2025).

Time spent on administrative procedures is an economic cost for investors, as delays result in delays in production and revenue, whereas confusing procedures lead to an increased demand for consulting services, lawyers, and even informal mediators. These burdens might particularly hurt small local businesses and new entrepreneurs. While digital public administration can help lower some of the aforementioned costs, simply digitizing them is not enough when procedures remain complicated or online and offline procedures are not properly integrated. It can be concluded from the PAPI data that although e-governance has improved in Vietnam, some problems with access and use still

4.1.2 Governance quality strengthens confidence through predictability and integrity

A second finding is that resource attraction relies on credible institutions. Large-scale investments are usually either irreversible or costly to be moved elsewhere. In such cases, investors will place much importance on clear expectations concerning the regulation of land use, infrastructure, regulation, inspection, disputes management, and rule

enforcement. World Bank studies conducted in Viet Nam reveal inconsistency in implementation and regulatory uncertainty as a constraint for the country, calling for the need for clear regulation (World Bank, 2025a; Piatkowski et al., 2024).

Moreover, integrity and accountability enhance the influence of these factors. Informal accusations can function as unpredictable taxes and create unfair competition among firms with different political or administrative connections. Additionally, issues with corruption can lead to reduced trust in the public administration and decreased belief in the fairness of its actions. PAPI 2024 reported improved governance performance in several areas, but corruption remained a significant public concern, thereby showing that integrity remains a key component of governance (CECODES et al., 2025). For resource attraction, anti-corruption policy thus carries both economic and administrative benefits.

4.1.3 Governance quality determines the productivity of infrastructure and public investment

"Infrastructures" often emerge as a key direct determinant of regional investment, but governance plays the role of determining whether these infrastructures will be chosen, financed, constructed, and properly interconnected. Only an infrastructure such as a road, port, industrial park, transportation system, or IT-network becomes valuable by resolving actual economic constraints and fitting into the overall system. As stated in the report of the World Bank (2025a), Viet Nam requires better public investment, more efficient project selection and implementation, and enhanced provincial governance. It is especially significant since public investment may attract private investment by decreasing logistics costs and increasing market access.

In contrast, institutional fragmentation has a reverse impact since provinces might choose their projects depending not on regional economic processes, but on purely administrative considerations. In case of fragmented infrastructure planning (including transport networks, housing, industrial facilities, environment management, labor mobility) despite very substantial public investments, companies still may encounter congestion, logistics difficulties, or labor shortages.

4.1.4 Governance quality shapes the attraction and retention of skilled human resources

The connection between governance and human resources is somewhat indirect compared to business licensing, but its importance cannot be ignored. Workers are skilled individuals and consider employment, salary, education, health care, housing, environment, mobility, ICT, security, and administration quality when choosing a destination. The public service and environmental governance dimensions of the PAPI consequently include factors which are not reflected in the standard investment climate approach.

This has a clear strategic implication for provinces that want to attract technology-based investment. A province can succeed in attracting an industrial plant through industrial infrastructure and incentives but will have problems with recruiting engineers, scientists, managers, and their families if the city's services are lacking. Human capital recruitment therefore bridges the gap between citizen-centered governance and economic competitiveness. With the Vietnamese economy progressing towards higher value-added activities, this bridge will become crucial since advanced companies need skilled labor and know-how rather than cheap labor only.

4.1.5 Governance quality supports innovation ecosystems and domestic spillovers

Ecosystem quality plays an important role in the case of technology and innovation resources. Innovation activities are related to risk, experimentation, cooperation, and intangibles. That is why such factors as clear rules, protection of intellectual property, efficient administrative practices, availability of skilled workers, research organizations, financing, and networks between firms and universities are essential for innovation. In its regional studies, the OECD focuses on the fact that the development significance of FDI is associated with skills, links with small firms, infrastructure, and innovation ecosystems (Kimura & Flood, 2025).

This suggests that the attraction of FDI does not equal the attraction of technology for Viet Nam. Foreign firms can function effectively in enclaves while the links with other entities of the country may be poor. Governance practices can facilitate spillover processes by means of promoting supplier development programs, clear rules of access to business services, labor collaboration, innovation infrastructure, and inter-firm-university collaborations.

4.2 RQ2: Which Governance Dimensions Matter for Different Resources?

The synthesis indicates that there is no single governance dimension that dominates across all resource categories. Instead, different resources respond to different combinations of institutional conditions. Table 2 summarizes the strongest conceptual relationships identified in the evidence.

Table 2. Resource-specific governance requirements.

Resource type	Most relevant governance dimensions	Main institutional mechanism	Likely regional payoff
Foreign direct investment	Regulatory predictability; transparency; land and administrative procedures; infrastructure coordination; integrity	Lower risk and transaction costs; credible implementation	More investment, reinvestment, higher-quality projects
Domestic private investment	Administrative efficiency; competitive neutrality; transparency; business support; access to information and land	Lower compliance burden and barriers to expansion	Firm growth, entrepreneurship, stronger local supplier base
High-quality human resources	Public services; e-governance; environmental governance; accountable urban management; labour-market coordination	Higher liveability and lower household/service frictions	Talent attraction and retention; deeper labour pools
Technology and innovation resources	Predictable regulation; skills governance; university-industry coordination; digital governance; transparent support programs	Knowledge exchange and ecosystem formation	R&D, innovative firms, technology absorption and spillovers

4.2.1 FDI: predictability, implementation capability, and regional infrastructure

FDI decisions are driven by market access, labour costs, logistics, international trade agreements, infrastructure, and industry-related benefits; therefore, it should not be viewed as an issue of governance alone. However, the level of governance could make a difference for places with otherwise identical structural advantages. Well-ordered process, clear land administration, reliable infrastructure, and proper coordination lower the risk of the project. Inclusion of large-scale FDI survey in the 2024 PCI index is a testament to the fact that foreign investors' experiences are crucial in assessing economic governance at the provincial level (VCCI & USAID, 2025).

This means that the policy message is that provincial governments should compete in terms of their reliability rather than relying on discretionary incentives only. Competing in terms of discretion is economically costly and might also attract projects that lack any local roots. Competing based on reliability means quick yet legal processes, transparency of information, reliable infrastructure, cooperation with the local workforce, and post-investment services.

4.2.2 Domestic private capital: fair implementation and lower compliance burdens

Private companies in the domestic sector are necessary as the reliance on foreign capital for the development of the region cannot continue forever. The World Bank argues that Viet Nam will require higher productivity of its domestic private sector along with a better business environment in the coming years (Piatkowski et al., 2024; World Bank, 2025a). For domestic companies, the challenges related to governance may take the form of multiple inspections, complicated licensing, unequal distribution of resources, uncertainty in their implementation, and lack of transparent programs.

The changes in governance of the domestic companies thus go beyond improvements in the business registration procedures. They may involve competitive neutrality, reliable enforcement, easy-to-access information about the land and planning, efficient dispute resolution, and transparent criteria for the business support. Such measures will facilitate the development of the businesses that already exist and create a solid supplier base that, in turn, will make the region more attractive for the FDI.

4.2.3 Skilled labour: public-service quality becomes an economic institution

Since competition for skilled labour takes place between regions, aspects of education, health care, environment, transportation, digitalization and responsive governance are incorporated into the economic infrastructure of a region. In this way, the PAPI indicators and dimensions of governance are relevant to resource attraction directly. The findings of the 2024 PAPI reveal progress on some indicators, but there are still geographic and demographic differences in the experience of citizens in terms of e-governance and public service (CECODES et al., 2025). These differences can influence the issues of inclusiveness and the capacity of less-developed regions to keep the mobile labour.

In this way, regional labour strategies have to link labour market policies with urban and public service governance. Providing training for labour force without providing the attractive environment may provoke migration. On the contrary, improving the environment without creating productive employment opportunities will bring residents but not economic activities.

4.2.4 Technology and innovation: coordination is as important as regulation

For innovation-oriented investment, governance that has the capacity for coordinating several institutions becomes crucial. An IT company may require research alliances, specialists, energy and information infrastructure, transparent purchasing, intellectual property rights, and access to trials and pilot projects. These factors cut across various departmental interests. Administrative fragmentation might thus be a major stumbling block despite the efficiency of each process.

The crucial institutional capability is what is referred to as collaborative governance: the capacity for bringing together universities, businesses, training institutions, local governments, financial intermediaries, and central government bodies according to sectoral development needs. It is particularly important at the regional level, where the whole innovation system might be outside one provincial jurisdiction. Economic regions could be brought together on account of universities, industrial centers, logistics, and labor markets.

4.3 Cross-Cutting Finding: Provincial Competition Must Be Balanced by Regional Coordination

A fundamental cross-cutting observation is that provincial competitiveness and regional development are distinct. Competition may foster reform and responsiveness, but too much provincial competition may fracture infrastructure, lead to replication of industrial zones, undermine environmental management, and lead to incentive-based competition for the same investment. Development resources often exist on a scale larger than that of an individual province. Workers migrate across boundaries, production facilities are linked by supply chains, seaports serve multiple provinces, and environmental systems are shared.

The Vietnamese approach to regional policy increasingly takes this coordination challenge into account. Resolution No. 24-NQ/TW for the Southeast region emphasizes institutionalized regional coordination, enhanced intra- and inter-regional linkages, and efficient mobilization of resources (Politburo of Viet Nam, 2022). Similarly, the World Bank advocates for greater flexibility at the local level while fostering better coordination among provinces and improved fiscal relationships (World Bank, 2025a). The lesson is that institutional quality should be assessed at two levels – the quality of each provincial administration and that of the institutional arrangements for collective provincial action.

This difference alters the concept of resource attraction. A region would be benefited if the investment is located in one province while attracting suppliers, labor, services, and infrastructure from other provinces. While this spillover effect would be considered competition by the strictly provincial concept of attraction, the regional view would consider it as development gains for the whole region.

5. Discussion

5.1 Theoretical Interpretation

Indeed, the results are consistent with the institutional approach, according to which the impact of governance on development depends on structuring incentives, decreasing uncertainty, and shaping investment returns (North, 1990; Acemoglu et al., 2005). Yet at the subnational level, implementation matters. Although provinces do not develop all major legislation, they have considerable impact on the way rules operate. Hence, the quality of institutions as an institution of governance in the sense of consistency,

responsiveness, transparency, coordination, and competence becomes particularly important.

The study contributes to the investment climate literature, as well, because of taking into account citizen-focused governance. At the initial stages of the industrialization process, it might depend on such factors as land availability, infrastructure, cost of labour, and facilitating investments administratively. However, when the economy grows, the border between social governance and competitiveness becomes more vague. Healthcare, education, environmental condition, e-governance, urban governance, and accountability determine the capacity to attract educated workforce and knowledge-based businesses. That is why it would be erroneous to consider PAPI-related characteristics exclusively as welfare ones.

A second theoretical implication is that governance quality is complementary rather than additive. A province with excellent administrative speed but weak transparency may still create risk. Strong public services without productive employment may not retain skilled workers. High-quality infrastructure without coordinated planning may generate congestion or duplication. The developmental effect therefore depends on institutional bundles and on alignment between governance dimensions and the type of resource being targeted.

5.2 From Incentive-Based Attraction to Institution-Based Attractiveness

These findings indicate a change in the policy logic from the usual resource attraction. Resource attraction is commonly understood as promotion – find the investor, promote the place, provide incentives and develop projects. Such a strategy is valuable; however, it solves the problem in one phase of a much more complex process. The institutional base of the place is considered when asking whether the region provides a credible, efficient, livable, well-connected and innovative setting even prior to a particular investor comes to a particular place.

Such a perspective is particularly valuable because incentives can be replicated while institutional capacity cannot be. A province that builds professional civil service, transparency, high-quality digital services, credible planning and cooperation between universities and industries creates its advantage that can benefit many companies and

families at the same time. Institutional improvements act as a horizontal development policy.

Moreover, institutional approach eliminates the risk of the race to the bottom. When provinces compete by means of reduction of standards and provision of discretionary advantages, attraction turns into inefficiency, environmental degradation or non-neutral competition. While competing through governance quality, provinces are rewarded for capability, reliability, service quality and innovation. It fits the goals of attracting to higher-value investment.

5.3 Policy Implications

5.3.1 Make regulatory implementation predictable, not merely fast

Administrative reforms need to focus on consistency and predictability in addition to efficiency. The provinces need to have published rules of procedures, service standards, decision-making deadlines, plans and reasons for administrative decisions. Information systems need to allow applicants to trace their cases and avoid duplicating information that the public agency already has. In case there is some ambiguity in national legislation, then there should be some implementation guidance which is legal and publicly available.

5.3.2 Strengthen accountability and integrity as components of competitiveness

There needs to be anti-corruption and transparency as part of the economic development strategy. Land allocations, procurement, investments, inspections, business services will be more transparent and therefore cost-free. Complaints and appeals need to be efficient and effective enough to resolve the implementation issues without personal connections. This is particularly necessary for both domestic companies and foreign investors.

5.3.3 Upgrade local administrative capability

Institutional quality depends on organizations and people, not only formal rules. Local governments need staff capable of investment appraisal, digital administration, public-private engagement, data analysis, project management, and interagency coordination. The World Bank's emphasis on a motivated and accountable civil service is therefore directly relevant to regional resource attraction (World Bank, 2025a). Capacity-building should be linked to measurable service outcomes rather than training volume alone.

5.3.4 Use public investment to crowd in, not substitute for, private resources

Regional infrastructure investments must be chosen in terms of economic connections and constraints, rather than administrative divisions. Appraisal must include explicit consideration of private-sector response, supply chain implications, labour mobility, environmental considerations, and interprovincial benefits. Public investment works best when it develops platforms for productive private investment.

5.3.5 Build talent attraction into regional governance

Provinces pursuing high value investment must treat their skilled labour as a resource to target. Government policy must link workforce development with good public education, health care, housing, transportation, environmental governance, and digital services. Universities and vocational training institutes should become part of regional economic development planning, and firms should be engaged in curricula design and forecasts of skills demand. Talent attraction should be tracked as well as investment attraction.

5.3.6 Create stronger regional coordination mechanisms

Regional coordinating organizations must have clear mandates, information systems, and problem-solving mechanisms for cross-provincial problems. Areas of focus include transportation, logistics, industry specialization, labour mobility, water and environmental management, energy, digital infrastructure, and investment promotion. Coordination does not mean that provinces give up their own initiatives but rather that they coordinate around common regional assets.

5.3.7 Link FDI attraction to domestic capability and innovation

Investment promotion efforts need to explicitly incorporate strategies for supplier development, technology transfer, labor skills development, and collaboration between universities and industry. After-care activities for current investors can determine the obstacles that are preventing reinvestment and the possibilities of linkage within the country. Instead of focusing on the amount or the monetary value of investments, the goal is to increase embeddedness and spillovers from FDI.

5.4 Proposed Governance–Resource Attraction Matrix for Viet Nam

For operational purposes, a governance-resource attraction matrix instead of an overall competitiveness index could be used by individual provinces or regions. For each specific resource, a limited number of institutional factors and outcomes can be selected. This would enable policymakers to understand the reason behind the low performance of a certain area and not to believe that the same reform attracts all resources.

Table 3. Suggested governance–resource attraction monitoring matrix.

Policy target	Governance indicators to monitor	Outcome indicators
Higher-quality FDI	Predictability; land transparency; procedure time; infrastructure coordination; investor aftercare	Realized FDI; reinvestment; technology intensity; local procurement
Domestic business growth	Compliance burden; informal costs; access to information; competitive neutrality; dispute handling	Private investment; firm expansion; new formal firms; productivity
Skilled talent	Public-service quality; e-governance; environment; urban mobility; education-health access	Net skilled migration; retention; vacancy filling; wage/productivity indicators
Innovation resources	University-industry coordination; digital services; transparent support; R&D facilitation; skills governance	R&D activity; patents/innovation outputs; technology firms; collaborations

6. Conclusion

This study investigated the role played by public governance institutional quality on the attraction of resources for regional development in Viet Nam through two research questions. In terms of RQ1, the study found that the effects of public governance quality on regional resource attraction are mediated through five primary channels: transaction cost and compliance savings; credibility of policy and reduction of risks; provision of public goods and productive infrastructure; skilled human resource attraction and retention; and ecosystem building and regional coordination. Good governance does not substitute structural conditions such as geography, infrastructure, size of the market, or industrial

specialization. Instead, it determines the effectiveness of converting these structural elements into credible and productive opportunities for enterprises and individuals.

In regard to RQ2, the results indicate that different types of resources require different sets of institutions. FDI is especially sensitive to the aspects of predictability, transparency, land and administrative processes, integrity, and infrastructure coordination. Private domestic capital strongly depends on the aspects of fair execution, transaction cost savings, competitive neutrality, and business facilitation services availability. Human resource is more and more sensitive to the aspects of public service quality, environmental management, e-government, and livability. Technology and innovation resources require a broader institutional combination involving predictable regulation, skills development, university–industry coordination, digital governance, and transparent innovation-support mechanisms.

The primary policy implication is that Viet Nam should transition from the limited notion of resource attraction to an institutional approach to regional attractiveness. Provincial governments must persist in the efforts to improve the business environment, but this reform process needs to be aligned with citizen services, talent policies, innovation systems, and inter-provincial collaboration. Regional institutions need to support inter-provincial cooperation in infrastructure, labor markets, logistics, environmental systems, and investments rather than create competitive incentives among provinces. In this institutional framework, the quality of governance is turned into a productive resource because it reduces risks, improves the return on investment and human capital, and helps attract external resources to have greater domestic spillovers.

The paper also provides a clear research agenda for future empirical studies. The province-year panel can link PCI and carefully selected PAPI components with realized FDI, domestic private investment, firm growth, mobility of skilled labor, and innovation performance, holding constant infrastructure, market size, sector composition, human capital, and geographical variables. Such empirical analysis will enable testing of the mechanisms discussed above and will yield more information regarding which governance reforms provide higher development benefits in different regions.

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