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**ATTRACTING FOREIGN DIRECT INVESTMENT
FOR SOCIAL - ECONOMIC DEVELOPMENT
IN NGHE AN PROVINCE**

Major : Finance - Banking

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SUMMARY OF ECONOMIC DOCTORATE THESIS

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PROLOGUE

1. The urgency of the dissertation topic

Foreign Direct Investment (FDI) has been playing an important role in the socio-economic development of many countries around the world. After the effects of the COVID-19 pandemic, Vietnam is considered to be an attractive destination for foreign investors, promising to attract many foreign investment projects in the coming time. This is an opportunity for Vietnam in general and other provinces in the country in particular to seize the opportunity and anticipate the shift of FDI flows.

Nghe An province is a located in the North Central of Vietnam with great potential in attracting foreign investment. The province also identifies attracting FDI as one of the strategic tasks of local socio-economic development, one of the key solutions to turn the province into an economic, political and social center of the Northern Central Region. After 30 years of attracting FDI, this capital has brought certain contributions to local socio-economic development. However, the results of attracting FDI of the province have not achieved many results as expected and the contribution to the local socio-economic development is not really clear. This shows that the measures to attract FDI of the province have not really been effective, ineffective and need to be changed.

Therefore, I selected the topic "*Attracting foreign direct investment capital for socio-economic development in Nghe An province*" for research. In the current context, this topic is practical, in line with the local socio-economic development orientation, the orientation to attract new generation FDI nationwide in general and Nghe An province in particular.

2. Literature Review

2.1. International research related to the dissertation topic

The topic of attracting FDI is carried out by many international studies, by many authors, with diverse research subjects, research data and research methods.

The spatial scope of international studies is usually national or territorial. The scope of the dissertation's content approach for general analysis includes: (1) the impact of FDI on the socio-economic development of the country/locality, (2) The factors affecting FDI attraction into the country/locality, (3) Policy solutions especially financial solutions that countries/localities use to attract FDI. The research results of the works are inconsistent.

2.2. Domestic research related to the dissertation topic

The domestic research are also carried out, overviewed and analyzed under 3 angles of the same as international ones. However, the scope of the research is the province, the domestic economic region and Vietnam. Some domestic studies have similar results with international ones. The scope of the dissertation's content approach to the overview analysis is similar to that of international ones.

2.3. Overview results of the studies and research gaps

2.3.1. Overview results of research related to the dissertation topic

In term of theoretical perspective: concept, characteristics, forms, role and some factors affecting FDI attraction localities, economic regions, countries and territories. In terms of practical experience, most of the works show the successful and limited experiences of some countries, regions, localities in the world in attracting FDI to draw their own lessons, suggestions for formulating mechanisms, policies and solutions. In term of practical perspective: after analyzing the current situation, the research works have set out the objectives, directions and solutions to enhance FDI attraction, and improve the socio-economic efficiency of FDI. In terms of research methods, most studies use qualitative and quantitative methods. Particularly for Nghe An Province, there was a previous study by Dr. Dang Thanh Cuong (2012).

2.3.2. Research Gaps

Research content: although there have been a number of studies on attracting FDI for local socio-economic development, including setting attraction goals, improving investment environment, and promoting investment, there have no studies about Nghe An province exploiting focuses on financial solutions such as taxes, land financial policies, and state budget expenditures that local governments implement in those areas.

Scope of research: each locality will have different characteristics of attracting FDI, the factors affecting the attraction of foreign investment capital are different.

Research method: using exploratory factor analysis (EFA) method to learn about factors affecting FDI attraction for socio-economic development in Nghe An province.

3. Research objectives

Proposing some solutions to attract FDI for socio-economic development in Nghe An province in the next coming time.

Research questions:

Firstly, How did FDI contribute to the socio-economic development of Nghe An province during the research period?

Second, what is the situation of FDI in Nghe An province during the research period?

Third, what measures and solutions has Nghe An province used to attract FDI to promote socio-economic development in Nghe An province? What are the successes and limitations of those solutions?

Fourth, In the context of the industrial revolution 4.0, the strong shift of foreign investment capital flows around the world, what measures should Nghe An province take to increase the attraction of FDI to develop the province's economic development in the future?

4. Subject and scope of research

4.1. Research subjects

Attracting FDI into a locality

4.2. Research scope

Content: attracting FDI for local socio-economic development, including 3 contents: setting targets for attraction, improving the investment environment, and promoting investment, in which the main focus is on financial solutions for the above contents.

Space: Nghe An province and experience of Shenzhen city - China, Iskandar - Malaysia, Binh Duong province and Vinh Phuc province

Time: Situation of attracting foreign investment capital in Nghe An province in the period of 2011 - 2021, solutions to attract foreign investment capital by 2025 with a vision to 2030.

5. Research methods and data

The dissertation has used a combination of many research methods both qualitative and quantitative. Qualitative methods: descriptive statistics, disaggregated statistics, comparison, synthesis, survey. Quantitative methods: exploratory factor analysis and OLS least squares method.

6. New contributions of the Dissertation

Theoretical: The dissertation has systematized and clarified some basic theories on FDI (concept, characteristics, impact of FDI on local socio-economic development), attracting FDI into the locality to serve local socio-economic development.

Practical: The dissertation has clearly analyzed the current state of FDI and the status of attracting FDI in Nghe An province in the period 2011-2021. In which, it is emphasized to analyze the contents of attracting FDI of the province such as setting attraction targets, improving the investment environment; promoting investment from a financial perspective. On that basis, the dissertation evaluates the results achieved and the limitations as well as the causes. Since then, the dissertation proposes solutions to enhance the attraction of FDI to contribute to the socio-economic development of Nghe An province in the next coming time.

7. Structure of Dissertation

In addition to the Prologue, Conclusion, List of References and Appendix, the dissertation is structured into 3 chapters:

Chapter 1: Theoretical and practical basis for attracting FDI for local socio-economic development

Chapter 2: Situation of attracting FDI for socio-economic development in Nghe An province

Chapter 3: Solutions to promote attraction of FDI for socio-economic development in Nghe An province

Chapter 1

THEORETICAL AND PRACTICAL BASIS FOR ATTRACTING FDI FOR LOCAL SOCIO-ECONOMIC DEVELOPMENT

1.1. Foreign direct investment with local socio-economic development

1.1.1. Foreign Direct Investment

1.1.1.1. Concept

Foreign direct investment is an activity that an investor in one country brings capital in cash or other necessary resources into another country (host country), directly participate in the management and operation of transforming those resources into production and business capital for the purpose of seeking long-term profits.

1.1.1.2. Characteristic of foreign direct investment

Firstly, foreign direct investment is a feasible form with great economic efficiency. Therefore, the primary purpose of foreign direct investment is to seek long-term profits.

Second, the basis for stipulating the rights and obligations of each party is the contribution ratio of the parties in the charter capital or legal capital.

Third, FDI is often accompanied by technology transfer to the host country, in addition to the transfer of capital in cash.

Fourth, FDI has a direct and lasting impact on the economic structure and development level of the host country.

Fifth, foreign direct investment does not leave debt burden for the host country.

1.1.1.3. Forms of foreign direct investment

Establishment of economic organizations with 100% foreign capital, Establishment of joint ventures between domestic and foreign investors, Investment in the form of business cooperation contract (BCC), Form of contract BOT, BTO, BT, Investment in share purchase or merger, acquisition of enterprises

1.1.2. Foreign direct investment capital

1.1.2.1. Concept

Foreign direct investment capital is the expression in the form of value (usually foreign currency) of all physical assets (money, finance, materials and goods, means of production, natural resources, technology, etc.). technology, management skills, production technology, brand...) that foreign investors bring into the host country/locality in the form of foreign direct investment to use for production and business activities in order to seek long-term profits..

1.1.2.2. Location of foreign direct investment

From a macro perspective, social investment capital includes domestic and foreign capital. FDI is an important source of foreign capital that has many

advantages over other sources of foreign capital (more stability, long-term benefits, growth potential and no debt burden for the host country).

1.1.3. Contribution of FDI to local socio-economic development

1.1.3.1. Positive contributions

Supplement important capital for local socio-economic development; Join the global production network, access the world market; Acquire technology and business management know-how; Accelerate the transition economic restructuring; Linking industries; Creating jobs and developing human resources for the locality; Contributing to reforming administrative procedures and increasing transparency for the local investment environment.

1.1.3.2. Criteria for assessing the contribution of FDI to local socio-economic development

- a. Contributing to local economic growth
- b. Contributing to local budget revenue
- c. Contributing to local exports
- d. Contributing to local economic restructuring
- e. Contributing to creating jobs and promoting the transformation of the local labor structure
- f. Contributing to the income of local workers
- g. Impact on technology transfer

1.2. Attracting FDI for local socio-economic development

1.2.1. Concepts and features

1.2.1.1. Concept

Attracting FDI for local socio-economic development is a collection of measures, mechanisms and policies that local governments implement to encourage and attract foreign investors to invest in the locality to meet local orientation or plan requirements, have a positive impact on the socio-economic development of the locality

1.2.1.2. Features of attracting FDI for local socio-economic development

Firstly, attracting FDI into the locality is subjective and proactive of the host locality and is in the context of attracting FDI of the country. Secondly, attracting FDI for local socio-economic development are activities that are carried out regularly before and after receiving investment, in parallel with the process of local socio-economic development. Third, attracting FDI for local socio-economic development will gradually focus on attracting quality rather than quantity. Fourth, there is a reciprocal and supportive interaction between foreign investors and localities, which is reflected in the relationship between the development of FDI enterprises and the socio-economic development of the attractive localities.

1.2.2. Factors affecting FDI attraction to the locality

Most of the previous empirical studies have agreed on the factors affecting

the attraction of FDI into the locality, including: (1) Infrastructure, (2) Investment policies and incentives, (3) Quality of public services, (4) Human resources, (5) Competitive input costs, (6) Local brands, (7) Living environment, (8) Supporting industries and clusters.

1.2.3. Contents of attracting FDI for local socio-economic development

1.2.3.1. Setting targets for attracting FDI

Setting the goal of attracting FDI into the locality for local socio-economic development is the local government's orientation towards attracting FDI inflows into the locality in a definite period of time which is feasible, in accordance with Vietnamese law and international practices to meet the capital needs for socio-economic development of the locality.

From the target of local socio-economic development, the local government will clarify what are the goals for FDI inflows? The contents that need to be clarified in setting the target of attracting foreign investment capital for local socio-economic development include:

- Objectives of attracting FDI: What is the scale of FDI attraction in each period? What is the determinant for that scale? What are the key industries that need to be prioritized for proactive investment promotion including the immediate priorities? What are the short and medium term priorities? From which country do the target foreign investors that the local wants to attract come from? why?

- Objectives on the contribution of the FDI sector to local socio-economic development: the contribution target to GRDP, contribute to increase state budget revenue, increase the industrial production value of the FDI sector, create many more jobs in the locality....

In addition to the goals, the locality needs to develop a specific action plan to achieve the goals set out above.

1.2.3.2. Improving the local investment environment to attract FDI

There are factors inherent in the locality that cannot be changed or are difficult to influence in all the factors of local investment environment. The locality can only affect the factors that are subjective and decisive for the improvement of the local investment environment.

First, improve investment support incentives for FDI enterprises

Incentive policies to support investment include:

- *Tax policies for FDI enterprises*
- + Apply tax exemption and reduction incentives according to the State's regulations
- + Issuing the process, scientific tax management, quickly and accurately
- *Land policies:* Determining prices for land rents, competitive water surface; Exemption from land rent for a limited time.

- *Investment support policies from the state budget*: Investment supports are often extracted from the state budget by localities such as support for site clearance, technical infrastructure support for industrial zones and economic zones, and initial labor training support, support advertising business image, support the initial administrative costs.

Second, improving key infrastructure directly related to the activities of foreign investors.

Solutions that the province can use to improve critical technical infrastructure include:

- State budget expenditure for infrastructure construction investment.
- Besides the state budget, localities mobilize other capital sources to invest in infrastructure such as BOT, BT, PPP sources, ODA, or investment capital sources from the private sector.

The degree of improvement of the key infrastructure is assessed: (1) Survey FDI enterprises on the current state of the infrastructure and the need to improve the infrastructure in the next coming time; (2) Compare logistics costs (land, sea, etc.) from the local infrastructure system compared to other localities.

Third, administrative procedure reform

Local authorities need to develop and reform administrative procedures in order to limit the informal costs incurred and save time for foreign investors. Localities spend state budget for the contents of administrative reform:

- Expenses for the development of program outlines and annual administrative reform plans
 - Expenses for organizing surveys to administrative reform
 - Expenses for examining of the implementation of administrative reform; monitoring, supervising and evaluating the settlement of administrative procedures.
- Expenses for constructing, repairing and operating of the One-Stop Department
 - Expense for applying information technology in administrative reform such as building and maintaining the Public Service Portal, the provincial electronic one-stop information system.

The results of state budget expenditure for administrative procedure reform are the reduction of administrative procedures (number of procedures and time) and the satisfaction of foreign investors when implementing administrative procedures in the locality. The results of the local administrative reform efforts are also reflected in the improvement of the PARINDEX, PCI.

Fourth, improve the labor force and the quality of local human resources.

To improve and enhance the quality of local human resources, there are solutions such as:

- Implementing incentive programs to support funding for training local human resources for vocational training institutions;
- Increasing local budget spending on training provincial human resources, including vocational training, professional training, fostering a contingent of civil servants...;
- Policies to encourage attracting talents to the locality (source from local budget), coordinate with enterprises with foreign investment capital to directly train human resources according to needs...

The improvement of human resources is reflected in the percentage of trained human resources, the occupational structure of the trained human resources, and the assessment of the local human resources by foreign investors.

1.2.3.3. Promoting foreign direct investment promotion activities

In parallel with the improvement of the investment environment, it is advisable to set up an active investment promotion agency and develop promotional strategies to attract the new generation of FDI. In particular, a locality that establishes an active FDI attraction strategy through investment promotion can improve its competitive advantage.

With the above contents of investment promotion, the locality needs financial resources to implement. The main financial source comes from the state budget for investment promotion activities according to the above contents. According to World Bank, when the budget for investment promotion increases by 10%, the ability to attract foreign investment capital can increase to 2.5%.

1.2.4. Criteria for evaluating the results of attracting foreign direct investment into the locality

1.2.4.1. Size of foreign direct investment

Scale of registered FDI, scale of implemented FDI, disbursement rate, average size of capital per project.

1.2.4.2. Structure of foreign direct investment

FDI structure by investment form, sector, investment location.

1.3. Experience in attracting FDI for socio-economic development of some localities and lessons for Nghe An province

1.3.1. Experience in attracting FDI for socio-economic development of some localities

The thesis has pointed out the experiences of attracting FDI for socio-economic development from Shenzhen - China, Iskandar - Malaysia, Binh Duong province and Vinh Phuc province

1.3.2. Lessons on attracting FDI for Nghe An province

Through the experience of localities in attracting FDI, there are 7 lessons can be drawn for Nghe An province.

Firstly, setting goals to attract FDI in accordance with the local context.

Second, improving the investment environment to attract FDI need to be changed in line with the local goal of attracting FDI.

Third, tax policies should be selective, not spread out

Fourth, the land finance policy needs to be adjusted in the direction of openness, transparency, and long-term stability, thereby helping foreign investors to stabilize their investment psychology and plan long-term production and business plans.

Fifth, improving the quality of human resources to suit the requirements of attracting FDI.

Sixth, promoting and improving the quality of investment promotion, especially direct promotion to foreign investors in line with the target of attracting FDI that the locality is aiming for.

Seventh, promote administrative procedure reform.

Chapter 2

THE SITUATION OF ATTRACTING FDI FOR SOCIAL ECONOMIC DEVELOPMENT OF NGHE AN PROVINCE

2.1. Overview of the natural, socio-economic conditions and the current status of FDI in Nghe An province

2.1.1. Overview of natural, socio-economic conditions in Nghe An province

2.1.2. Current status of FDI and the impact of FDI on socio-economic development in Nghe An province

2.1.2.1. Current status of FDI in Nghe An province

• Size of FDI

After more than 30 years attracting FDI, Nghe An province has attracted 120 FDI projects. In which, there are 102 valid projects with a total registered capital of 2,823.75 million USD in 2010, but this project has not been implemented yet), 18 projects have ceased operation.

• FDI structure of Nghe An province

➤ Field of investment

From 1992 until now, Nghe An's attracted FDI has mainly focused on the

processing and manufacturing industries (72 projects/1,948.38 million USD of registered capital, accounting for 60% of the total number of projects and 69% of registered capital, followed by service and commercial sectors (7 projects/ 427.23 million USD of registered capital, accounting for only 5.83% of the number of projects but accounting for 15,13% of registered capital ranked 2nd in total registered capital in industries).

➤ **Investment Form**

In the form of investment 100% foreign capital accounts for a large proportion in terms of the number of projects as well as registered capital and implemented capital (85 projects / 2,371.95 million USD, accounting for 70.83% of the total number of projects). and 84.00% of the registered capital.

➤ **Investment Location**

Currently, FDI projects are still mainly concentrated in industrial zones and economic zones with 56 projects/2.319.71 million USD (accounting for 46.15% of the number of projects and more than 82.15% of the total registered capital in the province). Although the number of FDI projects outside the industrial zone and Southeast Economic Zone is larger with 64 projects / 504.04 million USD, the registered and implemented capital is lower. This result is because these area have the most preferential and supportive policies for FDI projects

➤ **Investment Partners**

Since 1992, Nghe An has attracted FDI from 18 countries and territories around the world, in which mainly from Asian countries with 94/120 projects accounting for 78.3% of the projects 2,596.41 million registered capital, accounting for 89.58% of registered capital. In which, Korea is the leading country in terms of the number of projects (34/109 projects), Japan is the country with the largest amount of registered capital (accounting for 48.72% of the total registered capital).

2.1.2.2. Impact of foreign direct investment on socio-economic development of Nghe An province

• **Contributing to the economic growth of Nghe An province**

From the data table, we can see that the contribution of the FDI sector to the economic growth of Nghe An province is not much. The contribution rate of the FDI sector in the provincial GRDP varies from 1.5% to less than 2%.

• **Contribution to local budget**

The contribution ratio of the FDI sector to the total state budget revenue of Nghe An province is not high or even decreased. If comparing this rate with other localities such as Vinh Phuc accounted for 93.5%, Bac Ninh 72%, Dong Nai 63%, Binh Duong 50% and for the whole country in the period 2011 - 2019, the FDI sector contributing about 28% of the total annual state budget revenue, this figure of Nghe An province is too small.

- **Contributing to local exports**

On average in the period 2011-2021, the contribution rate of export turnover of the FDI sector is 17.5%, increasing from 28.857 million USD in 2011 (accounting for 11.38% of the total export turnover of the province) to 178 million USD in 2021 (accounting for 15.8% of the province's total export turnover).

- **Contributing to local economic restructuring**

In the period 2011-2021, the industrial production value of the FDI sector accounts for approximately 11% of the province's industrial production value on average. This ratio shows the degree of impact on the economic transformation of the province, although not particularly clear, but has made certain contributions. The industrial structure continued to shift rapidly and in the right direction, the internal structure also had a positive shift in the direction of rapidly increasing the proportion of the processing and manufacturing industry and gradually reducing the mining and processing industries. In the past 10 years, the industrial structure of the province has shifted by 3% with the contribution of the FDI sector being 12% of that change.

- **Contributing to employment creation and promoting local labor restructuring**

According to statistics, the proportion of employed workers from the FDI sector accounts for less than 2% of the total local labor force. However, compared to the number of employees working in the enterprise, it accounts for a large proportion and increases steadily over the years. The number of employees working in the enterprise as of December 31, 2021 was 340,128 thousand people, an increase of 1.5 times over the same period of 2011. On average, in the period 2011-2021, each year the number of employees increased by 5.15% per year.

- **Contributing to employee's income**

The average income of workers in the FDI sector is much higher than the average income of domestic enterprises in the province.

- **Contributing to technology transfer**

FDI enterprises have contributed to technology transfer, improving management skills and technical expertise for workers by importing many equipments with modern and new technology lines.

However, the contribution of the FDI sector to technology transfer in Nghe An province is not high. The proportion of FDI projects coming from countries holding source technology such as the EU, Japan, and the US is still too small (less than 5%). The level of modernity and updating of technologies in FDI enterprises is not high (although it is higher than domestic enterprises) and importantly, the localization rate is also not high.

2.2. Situation of attracting FDI for socio-economic development in Nghe An province

2.2.1. Situation of setting goals to attract FDI of Nghe An province

First, the goal of attracting FDI

According to the analysis of the current state of FDI inflows in section 2.1.2.1, the results show that the implemented attracted FDI in Nghe An province is achieving ½ of the set target. Not to mention, the proportion of capital disbursed is not stable, the average disbursement rate for both periods is less than 30%, lower than the target.

Second, the objective of the contribution of FDI to the socio-economic development of Nghe An province.

Since the beginning of attracting foreign investment capital, Nghe An province still only attaches importance to the attraction scale, not paying attention to the contribution of this capital to the local socio-economic development. The province does not set targets to contribute to the local socio-economic development from the FDI sector. In recent years, Nghe An province has begun to focus on action plans/programs to improve the efficiency of attracting FDI in the coming period by solutions.

2.2.2. Status of improving investment environment to attract foreign direct investment in Nghe An province

2.2.2.1. Improve investment incentives and support policies

Incentive policies, financial investment support of Nghe An province include tax incentives and land rental, investment support deducted from the state budget.

Preferential policies on tax exemption and reduction and tax management
- *Preferential policies and tax exemptions*

Tax incentives of Nghe An province

Tax incentives	Southeast economic zone, districts: Ky Son, Tuong Duong, Con Cuong, Que Phong, Quy Hop, Quy Chau and Anh Son	Districts: Tan Ky, Nghia Dan, Thai Hoa and Thanh Chuong
CIT	-10% CIT for 15 years - tax exemption in 4 years from the date of taxable income - 50% reduction of CIT for the next 9 years	-17% in the first 10 years - tax exemption in 2 year from the date of taxable income. - 50% reduction of CIT for the next 4 years
Import tax	Tax exemption for imported goods to create fixed assets Tax exemption in 5 years for raw materials, supplies and components that cannot be produced domestically	Tax exemption for imported goods to create fixed assets Tax exemption in 5 years on raw materials, materials and components that cannot be produced domestically with special projects that encourage investment

- Tax Administration:

Currently, the electronic tax declaration system has been deployed at Nghe An Tax Department and 100% of Tax Departments. 100% of enterprises are operating and participating in using electronic tax declaration services; 100% of enterprises have registered to use the electronic tax payment service; 100% of enterprises participate and carry out electronic tax refund procedures.

• **Financial incentives on land rent**

Besides the Government's regulations on land in Nghe An province, there are also some specific regulations on this field

Financial incentives on land rent in Nghe An

Land rent incentives	Southeast economic zone, districts: Ky Son, Tuong Duong, Con Cuong, Que Phong, Quy Hop, Quy Chau and Anh Son	Districts: Tan Ky, Nghia Dan, Thai Hoa and Thanh Chuong
Land rent	Free land rent in - 3 years in basic building - Special projects to encourage investment in: 15 years in extremely difficult areas, 13 years in difficult areas, 11 years for the remaining projects - Investment in infrastructure business: 15 years in difficult areas, 11 years in the remaining areas.	Free land rent: 03 years in basic building 15 years for special investment incentive projects 11 years with investment incentive project 7 years with remaining projects

For the price list of industrial land in the Southeast Economic Zone and industrial zones established by the Government in the province, the People's Council of the province may issue it every five years or when necessary.

• **Investment support policy from the state budget:**

Besides tax incentives, land rent, Nghe An province also has policies to support investment. Before January 1, 2021, Nghe An province applies preferential policies to support investment for FDI investors according to Resolution 26/2016/NQ-HDND. From mid-2021 onwards, the province promulgates Resolution 05/2021/NQ-HDND stipulating investment support policies of Nghe An province in the 2021-2025 period, replacing Resolution 26. Investment support funds are taken from from the provincial state budget to ensure implementation.

2.2.2.2. Improve key infrastructure of Nghe An province

• **State budget spending on infrastructure**

In the capital structure for construction of key infrastructure in the province, the state budget accounts for the majority (72% for the period 2011-2015 and

65.8% for the period 2016-2020) and capital from investment attraction gradually increased over the years (from 27.53% in the period 2011-2015 to 34.7% in the period 2016-2021). State budget expenditure has a relatively low rate of implemented capital, down from 56% for the 2011-2015 period to 35.2% for the 2016-2021 period.

Among the key infrastructure types, transport infrastructure has the largest total investment capital with 23,337 billion VND, of which 17,135 billion VND from the state budget, infrastructure of economic zones and industrial zones has a total investment capital of 4,932.79 billion VND in which state budget investment is 2,855 billion dong, urban infrastructure has 10,925 billion dong in which state budget investment is 8,345.1 billion dong. In addition to investing in transport infrastructure, industrial zones and economic zones, urban infrastructure, Nghe An province also spends the investment capital on completing other service infrastructures.

- **Using financial incentives to attract investors in infrastructure**

In recent years, Nghe An has issued many preferential policies to attract domestic and foreign investors to participate in the construction and completion of infrastructure (land lease policy, tax incentive policy, land clearance policy, etc.). plain...). Nghe An province has issued policies to support investment in infrastructure construction of industrial clusters in Nghe An province (Issued together with Decision No. 45/2015/QĐ-UBND in August 26, 2015 of the Provincial People's Committee of Nghe An.

2.2.2.3. Administrative procedure reform

To implement administrative reform, Nghe An province has allocated the state budget to implement the project on administrative procedure reform of Nghe An province in the period 2011-2021, especially in the period 2016-2021. Funds for administrative procedure reform are mainly taken from the provincial state budget and allocated with the following contents: upgrading the one-stop department, purchasing machinery and equipment for administrative reform, investment invest in information technology application, build administrative reform database, propagate administrative reform, investigate the satisfaction of businesses and people with the post-reform administrative system.

As a result, 419 administrative procedures were cut with a total reduction time of 1,961 days. On average, 419/1,677 administrative procedures were simplified, reducing the implementation time (24.98%).

2.2.2.4. Improve the quality of local labor

Nghe An uses solutions to improve labor quality: Policies to encourage and support funding for human resource training to meet the needs of foreign investors. State budget expenditure for vocational training, professional training, training of civil servants and attracting talents in Nghe An province.

2.2.3. Current status of investment promotion to attract FDI into Nghe An province

State budget expenditure for investment promotion of Nghe An province during this period has reflected efforts in investment promotion activities of the province in terms of changing ways of doing things... Due to increased allocation of state budget spending for investment promotion, This activity has achieved certain results.

2.3. Research on factors affecting FDI attraction to Nghe An province.

2.3.1. Proposed research model

H1: Infrastructure has a positive impact on investment decisions

H2: Investment policies and incentives have a positive impact on investment decisions

H3: Public service quality has a positive impact on investment decisions

H4: Human resources have a positive impact on investment decisions

H5: Competitive input costs have a positive impact on investment decisions

H6: Local brands have a positive impact on investment decisions

H7: Living and working environment has a positive impact on investment decisions

H8: Supporting industry clusters have a positive impact on investment decisions

2.3.2. Collecting and processing data

The process of collecting questionnaires was used online and in person. 420 votes were sent out but after collecting and selecting valid votes, 399 votes were obtained.

2.3.3. Research results

- Cronbach's Alpha test: The results of Cronbach's Alpha test show that the Cronbach's Alpha coefficient of all variables is as required (>0.6) and the total correlation coefficient <0.3 .

- Exploratory Factor Analysis (EFA): After running Cronbach's Alpha and EFA tests, Eigenvalues = 1.436 > 1 at the 8th factor, so the 8 factors extracted from EFA are meaningful in summarizing the information of the observed variables. Total variance extracted: Rotation Sums of Squared Loadings (Cumulative %) = 64.294% $> 50\%$. This proves that 64,294% of the variation of the data is explained by 8 factors.

- Regression model:

$$\mathbf{YDDT} = \mathbf{0,334CSHT} + \mathbf{0,319NL} + \mathbf{0,317CLDVC} + \mathbf{0,254CSDT} + \mathbf{0,188THDP} + \mathbf{0,099MTS} + \mathbf{0,082CNHTCN} + \boldsymbol{\varepsilon}$$

The result showed that investment decisions of foreign investors are affected by 7 out of 8 proposed factors including infrastructure, labors, public services quality, investment policy, local brand, living and working environment, and supporting industry clusters: Infrastructure ($\beta = 0.334$), Labor ($\beta = 0.319$), public services quality ($\beta = 0.317$), investment policies ($\beta = 0.254$) and local brand ($\beta = 0.188$). And the factor Input Cost does not affect investment decisions.

2.4. Assessing the current situation of attracting FDI for socio-economic development in Nghe An province

2.4.1. Achievements

2.4.1.1. Achievements on attraction and impact of FDI on socio-economic development of Nghe An province

FDI have been gradually becoming an important investment source of Nghe An province. The contribution of this sector to the province's socio-economic development is increasingly evident, especially in recent years with economic growth and positive changes in the industry. In addition, FDI projects have contributed to effectively supporting the investment environment, gradually promoting and transforming the economic structure, creating conditions for Nghe An to expand its international market and increase its turnover of export, gradually participating in the global production network and value chain.

2.4.1.2. Achievements in setting target for attracting FDI

Regarding the setting targets for attracting FDI of Nghe An province in the period 2011-2021, attention has been paid to carefully reviewing plans to attract foreign investment capital.

2.4.1.3. Achievements in improving the investment environment

- *Attractive investment incentives and support policies are increasingly being improved in favor of investors.*

+ Tax policy is more attractive than other localities in the region.

+ The land policy has been gradually improved. The land rental price list, especially in industrial zones, has been adjusted downwards in line with the market.

+ Investment support policies are more attractive than neighboring localities, gradually improved to be closer to reality and more reasonable.

- *The system of infrastructure is being gradually completed by the province.*

- *The number of trained human resources is increasing; the quality of human resources has improved.*

- *Reform of administrative procedures has had certain results.*

2.4.2. Limitations

2.4.2.1. Limitations on attraction and impact of foreign direct investment on socio-economic development of Nghe An province

- The scale of most FDI projects is quite small.

- The number of motivational and pervasive projects is still small; The number of investment projects in industries with high added value and large budget contributions is still limited.

- The rate of investment capital contribution and payment to the state budget of the FDI sector is still limited

- Most of FDI the projects are mainly invested in processing, manufacturing, and construction industries.

- Attracting investment in key industrial zones such as VSIP, Hemaraj, Hoang Mai, Dong Hoi has not met expectations.

- The level of connectivity and spread of the FDI sector is still low.

- Many investors are still using outdated technology.

2.4.2.2. *Limitation on setting targets for attracting foreign direct investment*

In addition to the achievements of setting goals to attract FDI in recent years, this work also encountered some shortcomings. Specifically:

- The scale of attraction set is not close to reality. In the period 2011-2021, FDI inflows attracted only reached ½ of the target set for the whole period. An independent FDI attraction plan has not been established, but only integrated into the socio-economic development goals of the locality.

- Targets on the contribution of the FDI sector to local socio-economic development have not been established.

- Setting targets for attracting FDI by sectors, although more specific, is still spread across many industries, not focusing on a few key local industries.

- The list of priority projects calling for investment capital of the province has been implemented, but the quality is not high, the information is incomplete or does not meet the requirements of investors, so it has not created an initiative in calling for investment capital. call for investment cooperation.

- The quality of the action plan to attract FDI is not high.

2.4.2.3. *Limitations on improving the investment environment*

- *Investment incentives and support policies are spread out, lack of focus, are issued many times but have not been effective in attracting foreign investors.*

- + Tax policy applied by Nghe An province is still spread out, although it looks attractive, it is not really effective in attracting FDI of Nghe An province in recent years.

- + The financial incentives for land are still spread out, not focusing on the key areas of local attraction. The land rental price list in industrial zones and economic zones is still quite high and not as competitive as neighboring localities.

- + Policy to support investment from the state budget is still inadequate, not close to reality, not attractive to foreign investors

- *The level of infrastructure and infrastructure improvement has not met development requirements, especially key transport infrastructure such as seaports (deep water ports), airports, infrastructure of economic zones, industrial zones. Attracting investment capital to improve essential infrastructure remains difficult.*

Firstly, state budget (central and local budgets) is for investment in completing key infrastructure has not yet met development needs.

Second, state budget spending for infrastructure improvement in Nghe An province is still too spread, not focusing on infrastructure that is the bottleneck in attracting FDI of Nghe An province.

Third, there is still a situation of slow and wasteful state budget disbursement for infrastructure.

Fourth, attracting investment capital to build key infrastructure is still slow, leading to the infrastructure of economic zones and industrial zones not meeting the requirements of attracting investors.

- *Administrative procedure reform has not met the requirements, the process and procedures are still cumbersome, losing opportunities and increasing the cost and time of investors.*

State budget expenditure for both administrative methods has not yet met the reform requirements for FDI investors and the state budget expenditure structure is still not balanced and not at the right focus. State budget expenditure is focusing too much on improving the hardware of the administrative reform such as headquarters and equipment, but lacking in investment in improving the software (information technology system) to digitally transform administrative procedures, so that the improvement work can be done. The administrative way has not yet met the needs of FDI investors.

State budget expenditure for training state administrative officials and employees is still low and not highly effective. Besides, state budget spending on propaganda reform of administrative procedures to solve the problem of non-compliance costs not much.

- The province's labor quality has not met the needs of FDI investors and especially lacks high-quality human resources

Firstly, although the state budget expenditure on training to improve the quality of provincial human resources has increased, it is still not enough to meet the human resource needs of FDI investors.

Second, state budget spending on human resource training is spreading, inefficient and lacking in long-term strategy.

Thirdly, the structure of state budget expenditure for human resource training is not balanced and has not met the need to improve the quality of teaching and training in the direction of application of Nghe An province.

Fourthly, Nghe An Province has not attached importance to the policy of attracting talents back to the locality to work as shown in the local budget for attracting too small.

2.4.2.4. Limitations on investment promotion

Expenditure on investment promotion currently accounts for a smaller proportion than that of trade promotion.

Funding for investment promotion is still limited. Authorities departments in the province are still passive in project preparation, calling, mobilizing, and attracting FDI. Investment promotion is still passive, depending on the direction of the leadership. The management and investment promotion activities have not brought high efficiency.

Investment promotion activities are mainly focused on the stages before investment licensing, investment support activities when the project is deployed and put into operation (on-site investment promotion) has not been approved by the authorities.

2.4.3. The cause of the limitations

2.4.3.1. Objective reasons

Firstly, Nghe An's location is quite far from the growth poles

Secondly, the political situation in the region and the world over the past time has been complicated and unpredictable

Third, the regulations of Vietnam related to investment, construction, land, housing, environmental protection and specialized legal documents lacks uniformity and stability.

Fourth, the tax policy according to the State's regulations still has some shortcomings

Fifth, the sense of law observance of some foreign investors is not good.

2.4.3.2. Subjective causes

Firstly, local budget of Nghe An province is limited and the structure of local budget expenditure is not reasonable.

Secondly, the province lacks a clean land fund to attract investment

Third, the human resources used by the province in attracting FDI have not really met the requirements of the job.

Fourth, the process of organizing the implementation of solutions to attract foreign investment capital is still weak; the management of the local FDI sector is still inadequate, and the coordination between functional agencies is not smooth.

Fifth, awareness about attracting FDI and investment environment have not kept pace with the requirements of development.

Sixth, the plans related to attracting FDI still overlap and contradict.

Chapter 3

SOLUTIONS TO INCREASE FOREIGN DIRECT INVESTMENT FOR ECONOMY - SOCIAL DEVELOPMENT IN NGHE AN PROVINCE

3.1. Socio-economic development goals and views on attracting foreign direct investment of Nghe An province

3.1.1. Socio-economic development goals of Nghe An province to 2030

3.1.2. Viewpoint to attract foreign direct investment of Nghe An province in the period of 2021-2025 and orientation to 2030

Firstly, attracting FDI closely follows the socio-economic development tasks of Nghe An province in each period, attracting focusing and ensuring sustainable development.

Second, attracting FDI gradually changes from width to depth with a roadmap. In the period from 2026 to 2030, the focus will be on shifting sharply to depth in the direction of improving productivity, quality, efficiency, using less resources, energy, and being environmentally friendly.

Third, improving the investment environment is identified as a key and cross-cutting task of all levels, sectors in locality; implemented with synchronous solutions, associated with improving the efficiency of attracting, managing and using investment capital for socio-economic development.

Fourth, solutions to attract FDI must be implemented in a synchronous, supportive and consistent manner.

3.2. Solutions to increase FDI attraction for socio-economic development in Nghe An in the period of 2021-2025 and orientation to 2030

3.2.1. Completing targets for attracting FDI into Nghe An in association with the goals of socio-economic development and economic restructuring

In order to develop specific and realistic goals of attracting FDI, Nghe An province needs to perform three tasks: first, renewing thinking, raising awareness about attracting foreign investment capital; second, to review the current socio-economic development plan of the province, in order to develop a feasible and quality socio-economic development plan for Nghe An province for the period 2021-2025 and orientation to 2030 ; thirdly, develop targets for attracting foreign investment capital in accordance with reality and in accordance with the socio-economic development plan of Nghe An province.

For target of attracting FDI:

The socio-economic development planning with the determination orientation to attract FDI should be determined more specifically.

- For the scale of FDI attraction, the province must be compatible with the local socio-economic development needs.

- For the target industry and target foreign investors: Develop a clear and complete development plan for a strategic industry in accordance with the current situation and future orientation.

- After identifying a key industry that needs to attract investment capital and promote it, evaluate the role of FDI in that industry, make a plan to attract foreign investment capital and take into account the regional linkage of that industry (potential investors, the amount of FDI, specific action plans). For the action plan to attract target foreign investors into key industries, it is necessary to develop specific plans in the short, medium and long term. The plan should include: implementation actions, objectives of that action, implementation time, implementation unit, implementation budget, evaluation of that action according to what criteria? Or apply tailoring policies for the province's target foreign investors.

3.2.2. Improve the investment environment to attract FDI

3.2.2.1. Renewal of investment support incentives for foreign investors

• For land finance policy

Firstly, Nghe An province needs to apply financial incentives on land with a focus on areas where the province already has a favorable land fund for foreign investors. The current land rental incentives are not applied. The highest and most attractive incentives are for priority areas and fields and there is a clear difference in incentive levels for foreign investors to find attractive.

Secondly, it is necessary to develop a land price list in the Southeast Economic Zone and other industrial zones in the province close to the market price, which is more competitive compared to the industrial zones and economic zones in the region.

- **For tax policy**

Firstly, for tax incentives: Narrow the tax incentives, especially CIT incentives. Tax incentives should only be focused on a few industries and fields that are very important according to the province's development policy, industries that produce products with great added value, socialization, industry, technology, the environment and related to agriculture, farmers, and rural areas. The province should only select a few industries, fields and areas that enjoy the highest tax incentives. Tax incentives should be eliminated to implement social policies; eliminate “redundant” incentives.

Second, for tax management: Simplifying tax declaration and payment procedures and reducing tax payment time for FDI investors.

- **For investment support policies:**

For the policy to support labor training costs, select the support plan at the rate of 20-30% of the human resource training costs of enterprises with foreign investment capital depending on the size (over 500 employees) or according to the skill nature of training (the more training skills, the more support). Or apply higher labor incentives for key industries.

For funding support for investment preparation, the provincial budget will support 50% of the cost of implementing investment procedures in the investment preparation step according to valid contracts, invoices and documents, but not exceeding 200 USD. million VND/project after the project comes into operation;

Besides general policies for all investment projects, the province should also develop separate policies for key industries, especially provincial sectors that encourage investment to bring about more attractive attraction. Supporting in price of land rent, water surface rent, cost of leveling at higher level, especially investment projects in industrial park infrastructure, seaport business construction projects that the province calls investment in the near future; or special tax and tax incentives for FDI enterprises with source technology, projects containing high technology content.

Early research on preferential credit programs for FDI enterprises investing in Nghe An province.

3.2.2.2. Develop synchronously of the province's key infrastructure:

- **For investment in infrastructure from the state budget:**

Firstly, continue to accelerate the disbursement of public investment capital to avoid the shortage of capital and delay the construction progress of important critical infrastructure projects in the province.

Second, continue to take advantage of the support of the Government, from the central budget to invest in big projects on economic- society infrastructure.

Third, improve the efficiency of state budget expenditure management in infrastructure construction, avoid loss and waste of capital and inefficiency.

For attracting investment capital in the construction of synchronous completion of key infrastructure from private and foreign investors.

Firstly, diversify forms of capital mobilization, encourage all economic sectors to invest, contribute capital to build synchronous infrastructure, strengthen solutions to create favorable conditions to attract investors in infrastructure, especially in the fields of transport, health, education - training and environment (waste treatment plants, waste...). Encourage investment in the form of BTO, BT, BTO, PPP to increase the participation of the private sector in infrastructure investment.

Increase investment capital mobilization in the form of public-private partnership (PPP).

Choosing to invest in industrial infrastructure is really financially viable.

Second, improve investment efficiency from private and foreign capital.

3.2.2.3. Training and improving the quality of human resources of the province

Firstly, it is necessary to supplement local budgets for policies on training and attracting talents in general and talents to work at state agencies related to investment fields.

Second, continue to maintain priority of state budget expenditure for human resource training in total state budget expenditure.

Third, it is necessary to make a specific plan on human resource needs that meets the needs of the labor market for FDI enterprises to improve the efficiency of budget spending on human resource training.

Fourth, readjust the structure of local budget expenditure for human resource training.

Fifth, expand investment resources in human resource training activities from socialization sources.

Sixth, improve the quality of the team working in attracting FDI

3.2.2.4. Administrative procedure reform in attracting FDI

Firstly, continue to increase state budget spending, promote information technology application to meet the requirements of the 4.0 revolution, complete the construction of e-Government, shortening time and costs for enterprises with FDI capital.

Second, continue to arrange the state budget to complete the "one-stop department" that the province has been implementing.

3.2.2.5. Solutions on creating a clean land fund, increasing access to land

Improve the operational efficiency of the Land Fund Development Center at all levels in order to well prepare the clean land fund, invite investors, and at the same time put the Land Development Fund into operation to create capital to carry out the clearance to create a clean land fund.

Publicize master plans and using land plans and unused land fund in order to create favorable conditions for investors to access land resources and production grounds, and ensure the basis for land allocation and land lease, change the purpose of land use. The planning information should be publicly and fully disclosed on the website of the Provincial People's Committee.

Solve difficulties related to land allocation, land lease, change of land use purpose for enterprises.

Review, develop and propose competent authorities to complete regulations as a legal basis for the implementation of electronic transactions on land.

Prioritize investment in funding for the completion of cadastral surveying and mapping with coordinates according to Resolution No. 39/2012/QH13 dated November 23, 2012 of the National Assembly on continuing to improve effectiveness of implement policies and laws in settlement of complaints and denunciations of citizens about administrative decisions on land and a number of legal provisions on land management to strengthen work on land management band.

Publicize the contents of the project and the management regulations according to the issued urban planning and urban design project so that state management agencies, businesses and people can conveniently exploit, create equality for businesses in accessing land for production and business.

3.2.3. Promoting investment promotion activities

3.2.3.1. Completing FDI promotion strategies, renovating methods, and improving the quality of investment promotion

Firstly, state budget expenditure for investment promotion should have objectives, focus, and be associated with investment cooperation criteria.

Second, it is necessary to allocate an additional structure of state budget expenditure for outward investment promotion.

Third, continue to spend the state budget for pre-investment promotion activities that are effective in the current period

3.2.3.2. Renovating viewpoints and contents of investment promotion

Nghe An province needs to change the viewpoint and content on investment promotion from passive to active.

3.2.4. Strengthen cooperation others provinces to attract foreign direct investment for Nghe An province

3.3. Recommendations to the National Assembly and the Government

3.3.1. With the National Assembly

3.3.2. With the Government

CONCLUSION

The Dissertation "Attracting FDI for socio-economic development in Nghe An province" has accomplished the following specific contents:

1. The dissertation has clarified the theoretical basis for FDI, FDI capital, attracting FDI for local socio-economic development, including concept, content and influencing factors. At the same time, analyze and synthesize experiences in attracting FDI of some provinces and cities in and out the country, drawn lessons for Nghe An province.

2. The dissertation has analyzed the situation of attracting FDI and its impact on the socio-economic development of Nghe An province in the period 2011-2021. Analyze the current situation of solutions of attracting FDI that Nghe An province has implemented, including local attraction goals, solutions to improve the investment environment and promote investment promotion. On that basis, the dissertation has evaluated the achieved results, limitations and causes of limitations of attracting FDI in recent years.

3. On the basis of socio-economic development goals, viewpoints and orientations to attract FDI of Nghe An province by 2030, the dissertation has proposed a number of solutions to enhance attraction of this capital inflow in the next coming time including: perfecting the planning work, formulating foreign investment attraction targets associated with socio-economic development and economic restructuring of the province, enhancing further improvement. environment to attract foreign direct investment capital, further promote investment promotion activities, strengthen domestic and foreign cooperation in order to attract foreign investment capital for Nghe An province.

**LIST OF AUTHOR'S WORKS DISCLOSED
RELATED TO THE DISSERTATION**

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2. Banh Thi Thao (2020), “Solutions for Vietnam to compete for high-quality ĐTTTNN in under the spirit of the Resolution No. 50/NQTW”, International conference on “*Finance - Accounting for promotiong Sustainable Development on Private Sector*” (FASPS), Finance Publishing, pp.162-171.
3. Banh Thi Thao (2021), “Factors affecting foreign direct investment attraction in Nghe An province”, International conference on “*Sustainable economic development and business management in the context of globalisation*” (SEDBM 4), Finance Publishing, pp. 98-108.